

India proposes opening of automobile market to EU in a phased manner

NEW PASTURES. Constructive approach to trade could support broader ecosystem, industry veterans say

S Ronendra Singh
New Delhi

India has proposed a tightly controlled opening of its automobile market to the European Union (EU) under the ongoing Free Trade Agreement (FTA) negotiations, offering quota-based and phased tariff reductions that sharply limit exposure for the mass-market auto industry while signalling flexibility on premium vehicles and local assembly.

EV ECOSYSTEM

According to official details, concessions on electric vehicle (EV) imports are proposed only from the fifth year of the agreement, reflecting concerns about protecting India's nascent electric mobility ecosystem.

Officials said India's offer on automobiles is calibrated rather than comprehensive,



WELL THOUGHT-OUT. India's offer on automobiles is calibrated rather than comprehensive, with concessions capped by volume, delayed timelines and a clear preference for completely knocked down imports over fully built vehicles REUTERS

with concessions capped by volume, delayed timelines and a clear preference for completely knocked down (CKD) imports over fully built vehicles.

Under the proposal, India has offered tariff concessions for up to 1.6 lakh in-

ternal combustion engine (ICE) cars annually, alongside 90,000 EVs. A significant portion of this access, however, is designed to channel imports into local assembly lines rather than opening the door to large-scale fully built imports. Of the ICE quota,

75,000 units are reserved for CKD imports, with customs duties proposed to be cut from 16.5 per cent to 8.25 per cent.

Officials involved in the negotiations said the structure mirrors the current operating model of global auto

manufacturers, most of whom already rely on CKD routes to reduce tariffs and assemble vehicles locally. As a result, any reduction in tariffs on completely built units (CBUs) is expected to affect only a limited set of high-end and niche imports, rather than India's volume-driven passenger vehicle (PV) market.

ONE-LAKH UNITS OF ICE

According to the officials, in the first year, only one-lakh units of ICE vehicles will be allowed to enter India across different categories. For instance, 34,000 units will be allowed for cars priced at €15,000-35,000 with 35 per cent import duty, and 33,000 units each for cars priced at €35,000-50,000 and above at a duty of 30 per cent each.

The 30-35 per cent duty on ICE cars imports will go down to 10 per cent over five years, and one-lakh quota

will go up to 1.60 lakh units in 10 years, they added. A similar provision has been given for EVs with price ranging between €20,000 and €60,000.

Analysts said European auto majors such as the Volkswagen Group, which has brands like Audi, Lamborghini and Skoda, Mercedes-Benz, Stellantis, and Renault would benefit under this deal.

"This constructive approach could support the broader ecosystem, including innovation, supply-chain efficiency, and technology collaboration. We are positive the FTA will create a stable and predictable environment for European automakers to invest, innovate, and better serve customers in India," Balbir Singh Dhillon, Brand Director, Audi India, said.

With inputs from Amiti Sen