

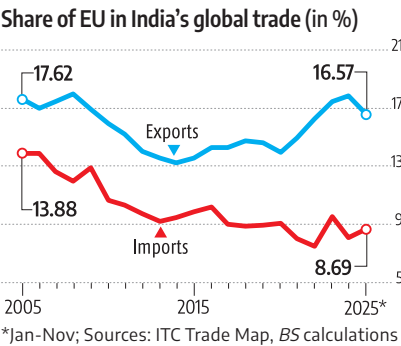
# India-EU FTA may offset US tariff impact

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The recent signing of a free-trade agreement (FTA) between India and the European Union (EU) comes amid heightened uncertainty and volatility in trade and geopolitics. Both the economies are aiming to diversify their export markets through this deal, which gives preferential market access to 99 per cent of India's exports by trade value.

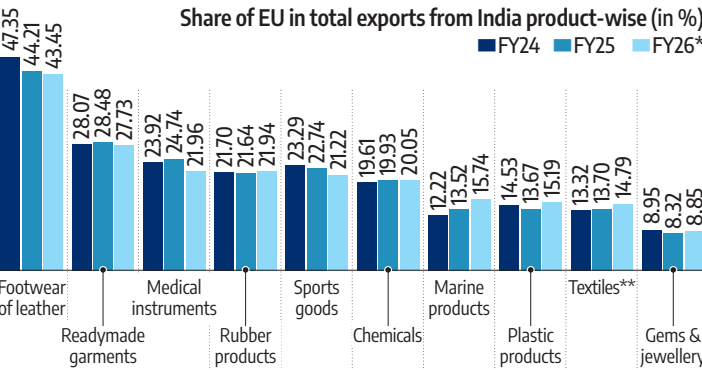
## Balancing act

From January to November 2025, the EU's share in India's global exports was 16.57 per cent, second only to the United States (21 per cent). Meanwhile, the EU's share in India's imports declined from 13.88 per cent in 2005 to 8.69 per cent in 2025 (January-November). China's 2025 share was double that of the EU.



## Fresh boost for India's labour-intensive exports

The reduction of duties on India's labour-intensive products is set to rejuvenate their exports as well as employment generation, after their outward shipments went haywire due to the imposition of 50 per cent tariffs by the US. Over 40 per cent of leather footwear exported by India was EU-bound, as were 25 per cent of readymade garments.



## High dependence on EU for capital-intensive goods

India's imports from the EU primarily consisted of capital technology-intensive products. After the FTA, cheaper imports of industrial and electrical machinery are expected to boost Indian manufacturing. Duties have also been reduced on imports of alcoholic beverages from the EU.

