India - European Union (EU) free trade agreement (FTA)

Deepening strategic partnership and expanding bilateral prosperity

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Foreword

As global trade recalibrates resilience and the geopolitical landscape continues to evolve, economies are reassessing their engagement models to protect stability, strategic autonomy and long-term competitiveness. In this environment, partnerships anchored in trust, scale and shared standards are becoming increasingly critical. The India-EU FTA reflects this shift, moving beyond a conventional trade arrangement towards a comprehensive, innovation-led economic framework.

As negotiations concluded in January 2026, the agreement brings together a combined consumer base of nearly two billion and provides access to a combined market of USD24 trillion. It offers businesses greater scale, supports supply chain diversification and reinforces growth within a transparent, predictable and rules-based architecture across both regions. Importantly, this agreement arrives at an inflection point in India's trade strategy, one that increasingly prioritises deeper integration with advanced economies, resilient value chains and higher value participation in global markets.

This report, 'India-European Union (EU) Free Trade Agreement (FTA)', explores the strategic foundations and economic implications of this landmark partnership. It highlights how the agreement serves as a powerful catalyst for deepening India-EU economic integration while reinforcing India's position as a credible, dependable and influential participant in the global economic order.

At its core, the agreement provides preferential access for India across ~97 per cent of EU tariff lines, covering nearly 99 per cent of trade value. This creates meaningful opportunities for labour-intensive sectors such as gems and jewellery, leather, textiles and footwear, among others. Beyond tariff liberalisation, the FTA accelerates integration into European value chains, enhances capacity utilisation for MSMEs and strengthens market predictability, enabling Indian exporters to translate cost advantages into sustained market presence across key EU economies. Targeted commodity opportunities across mineral fuels, organic chemicals, machinery, among others, further position Indian enterprises for improved competitiveness and value realisation.

Equally significant are the import-side enablers with phased duty reductions for critical industries such as advanced machinery, medical and surgical equipment and aircraft parts, among others. In parallel, expanded access to 144 EU services subsectors, supported by a forward-looking mobility framework, strengthens delivery models for Indian firms in business and professional services, enhancing productivity and innovation diffusion.

Importantly, the agreement's value extends beyond trade flows. Coordinated collaboration across security and defence, clean energy and climate action and other strategic areas positions the partnership for long-term competitiveness and co-innovation. However, outcomes might ultimately be shaped by the discipline of implementation. Clarity on rules of origin, strengthened quality and compliance frameworks, targeted workforce skilling and proactive alignment with evolving EU regulatory frameworks such as the Carbon Border Adjustment Mechanism (CBAM) and the Deforestation Regulation are likely to be critical enablers. Equally, the private sector is expected to play a central role in translating policy intent into commercial outcomes, supported by effective institutional coordination. With strong industry readiness, the India-EU FTA can convert ambition into enduring enterprise growth and resilient bilateral value chains.

Neeraj Bansal
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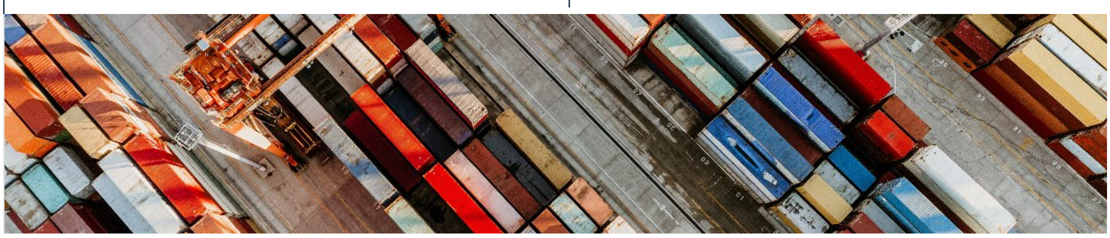


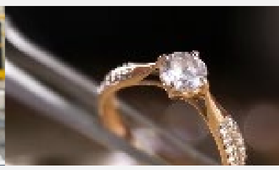
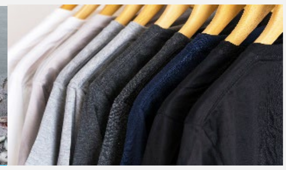
Executive summary

India and the EU share a long-standing strategic partnership anchored in shared democratic values, expanding economic complementarities and an increasingly aligned geostrategic outlook. As global trade becomes more fragmented and supply chain vulnerabilities intensify, both regions have sought deeper economic cooperation to strengthen resilience and diversify market dependencies.

The India-EU FTA, for which negotiations concluded in January 2026, marks a significant milestone in advancing the partnership beyond a predominantly transactional trade arrangement towards a broader, innovation and technology-oriented economic framework. The agreement is expected to serve as a key strategic lever for deepening India-EU economic integration while further consolidating India’s reputation as a reliable and influential participant in the global economy.

97 per cent of tariff lines	USD24 trillion	2 billion
Secured preferential access to the EU through the FTA	Access to a combined market size across both geographies	Combined consumer base across both markets stands to benefit from the FTA

India’s projected access to the EU’s potential import market across key sectors (in USD bn)

500	79.2	100	53.6	263.5
				
Chemicals	Gems and jewellery	Leather and footwear	Marine products	Textile apparel

Strategic non-trade synergies advancing India-EU partnership

- Establish a **security and defence partnership** across priority domains such as maritime security, cybersecurity and counterterrorism
- Foster **critical technology cooperation** in emerging technologies such as artificial intelligence (AI) and semiconductors
- Provide **intellectual property (IP) protection** through high-level safeguards and enforcement mechanisms covering copyrights, designs, trademarks, trade secrets and plant varieties
- Facilitate **cross-border services and talent mobility** with access to 144 EU subsectors and introduce a forward-looking mobility framework.

Sources for the data indicated here are provided in the subsequent sections.

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India-EU bilateral trade at a glance

The global trade environment continues to evolve, shaped by shifts in trade policies, deepening geopolitical fragmentation and varied regulatory frameworks. This environment has amplified the strategic imperative for economies to build more diversified growth models. Reflecting this transition, nations are accelerating derisking initiatives by reducing overdependence on single-market exposures.

Aligned with the global shift towards resilient economic partnerships, India concluded discussions for a pivotal FTA with the EU in January 2026, creating a strategic, value-enhancing platform for deepening India-EU economic integration.

India-EU trade snapshot

USD136.5 bn

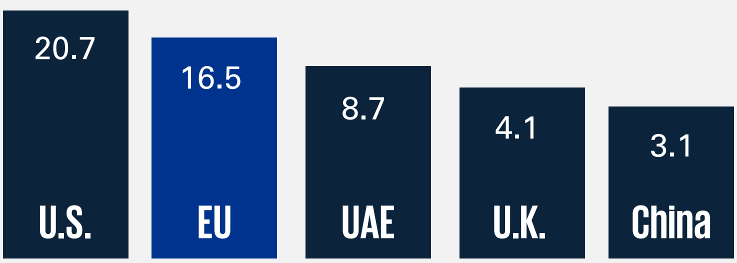
Total merchandise trade, comprising over **USD75.9 bn** in exports and **USD60.7 bn** in imports (FY25)[1]

The FTA provides access to a combined[1]

USD24 tn marketplace

2 bn consumer base

Top five export destinations for India (CY25, in %)[2]

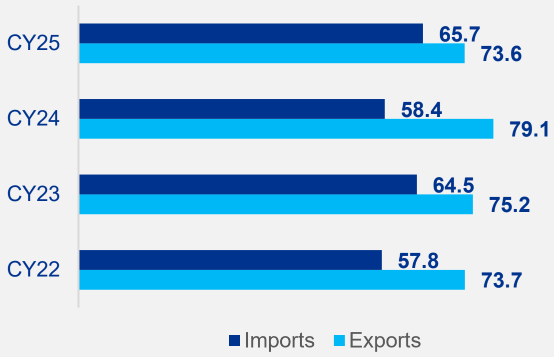


The EU is one of India's largest trading partners, driven by export flows concentrated in fuels, machinery, mechanical appliances and nuclear reactors and boilers.

Sustained export growth supported by the FTA is expected to benefit micro, small and medium enterprises (MSMEs) by broadening market access to the EU, deepening value chain integration and supporting job creation.

1. Factsheet, India And European Union Trade Agreement, Department of Commerce, Ministry of Commerce and Industry, 27 January 2026
2. Export Import Bank, Ministry of Commerce and Industry, Government of India, accessed on 11 March 2026

India-EU merchandise trade landscape (CY25, USD bn)[2]



Leading EU export markets for India (CY25, USD bn)[2]

18.9
The Netherlands

11.4
Germany

7.5
Italy

7.2
France

6.6
Belgium

Over the years, India has maintained a trade surplus with the EU, underscoring the economy's resilient domestic fundamentals and improving external competitiveness.

India-EU trade basket in CY25: Major commodities exchanged[2]

Commodities exported by India to EU

47.8 per cent

Of total exports were majorly driven by these segments

- Mineral fuel and oil (16.5 per cent)
- Electrical machinery and equipment (12 per cent)
- Nuclear reactors, boilers and mechanical appliances (7.5 per cent)
- Organic chemicals (7.1 per cent)
- Iron and steel (4.7 per cent)

Commodities imported by India from EU

60.3 per cent

Of inbound trade originated from these segments

- Nuclear reactors, boilers and mechanical appliances (22.2 per cent)
- Electrical machinery and equipment (19 per cent)
- Aircraft and spacecraft (9.2 per cent)
- Optical, photographic and medical devices (6.2 per cent)
- Natural/cultured pearls, precious/semi-precious stones and metals (2.6 per cent)

2. Export Import Bank, Ministry of Commerce and Industry, Government of India, accessed on 11 March 2026

India-EU service trade momentum in 2024[3]

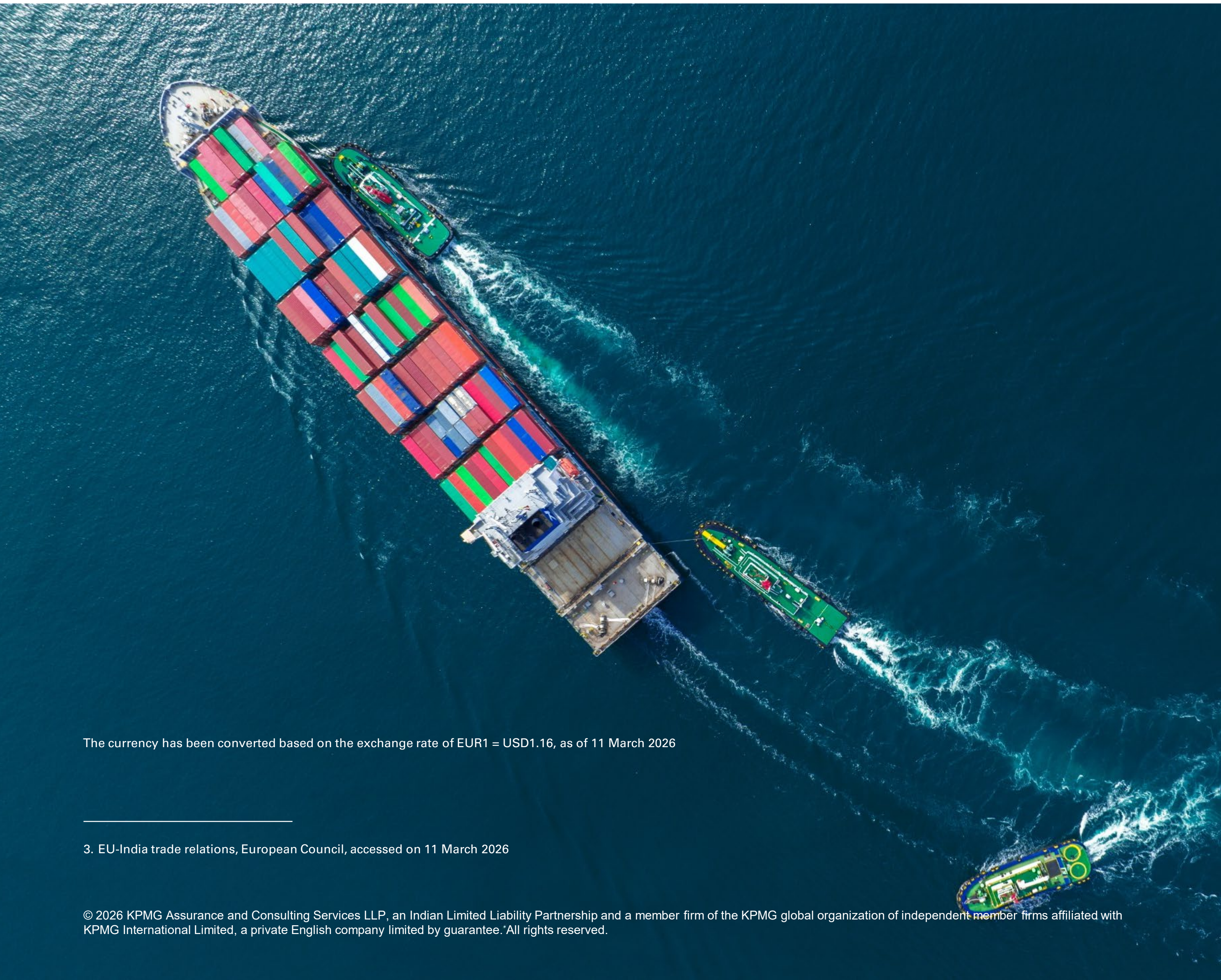
~USD77 bn
India-EU services trade

Over the last decade, India-EU trade in services has more than doubled, rising by over 240 per cent, reaching over USD43 bn in exports and over USD33 bn in imports in 2024

Top traded services

- Telecommunications, computer and information services
- Other business services*
- Transport services

*Business services include professional and management consulting services



The currency has been converted based on the exchange rate of EUR1 = USD1.16, as of 11 March 2026

3. EU-India trade relations, European Council, accessed on 11 March 2026

India-EU trade engagement framework

As India and the EU continue to strengthen their trading relationship, a substantial opportunity for further growth remains. India's share in the EU's total imports remains modest at one per cent as of 10MCY25, highlighting untapped potential for greater market penetration[1]. The FTA is poised to enhance scale, leverage complementary strengths and provide policy stability, supporting growth, innovation and a more balanced global integration for both regions.

Broader access to Indian goods across the European market in labour-intensive sectors, particularly **textiles, gems and jewellery and marine products**, by providing smoother entry and more predictable trading conditions.

Expanded European access to the Indian market in segments such as **machinery, high-technology equipment and automobiles,** supporting deeper integration of advanced products into India's manufacturing ecosystem.

Strategic tenets of the agreement

With the FTA progressing towards ratification, its foundational principles are gaining prominence. They aim to establish a predictable trade framework, advance phased tariff liberalisation, enhance regulatory cooperation and deepen supply chain and cross-sector collaboration. Together, these principles position India and the EU to facilitate smoother market access and strengthen future trade and investment flows.

- Establish a **stable, rules-based framework**, which is aligned with modern global standards that offers clarity on tariff schedules and market compliance along with promoting transparency, predictability and long-term confidence.
- Adopt a **phased liberalisation approach** through enabling tariff reductions across key traded categories while respecting the mutual sensitivities of both parties.
- Emphasise **closer cooperation on quality standards**, conformity and market access procedures while supporting businesses to navigate a highly regulated environment.
- Build **diversified, resilient supply chains** through deeper integration of Indian firms into EU value chains and reduce overdependence on a single country.
- Collaborate across **green manufacturing, advanced machinery and digital services** to align shared goals across sustainability, digital transition and industrial growth.

1. Trade Map, International Trade Centre, accessed on 12 March 2026 (Latest data available for first ten months of CY25)

The FTA stands to unlock new export opportunities for Indian industry and business associations, ease tariff and regulatory frictions and attract higher levels of capital investment into the country's manufacturing and services sectors. The agreement further acts as a catalyst for enhanced market certainty and expanded commercial access for exporters and investors across both regions.

Tariff reforms powering India's export growth

India has secured preferential access to the EU across **97 per cent of tariff lines**, representing about **99.5 per cent of trade value**, with duty elimination across key labour-intensive sectors such as gems and jewellery, leather and footwear, textiles, agri-products and select marine goods[1]. These sectors are positioned to capitalise on tariff liberalisation through deeper integration into European value chains and expanded employment opportunities.

Strategic upside for key sectors[1,2]

Sectors	Existing tariffs	Zero duty at entry into force (% tariff lines)	India's access to the potential EU import market (USD bn)
Base metals	Up to 10.0%	79.1%	—
Chemicals	Up to 12.8%	59.3%	500
Gems and jewellery	Up to 4.0%	96.6%	79.2
Leather and footwear	Up to 17.0%	100.0%	100
Marine products	Up to 26.0%	94.4%	53.6
Medical instruments and appliances	Up to 6.7%	99.1%	—
Railway/aircraft/ships/boats	Up to 7.7%	88.2%	—
Textile and apparel	Up to 12.0%	100.0%	263.5

Note: Sectors are arranged in alphabetical order.

1. Factsheet on India EU trade agreement, Department of Commerce, Ministry of Commerce and Industry, Government of India, 27 January 2026
2. Frequently Asked Questions India And European Union Free Trade Agreement, PIB, 29 January 2026

Potential benefits driving competitive gains

- Share of the EU in India's total exports for 10MCY25[3]
- Share of India in the EU's total imports for 10MCY25[3]

Base metals*	21.6%	1.2%

- Stronger export outlook for zinc and lead is supported by the EU's sustained position as a key destination market and steady end-use demand from construction and industrial sectors
- Easier market entry and lower frictions may improve supply continuity into Europe, particularly for zinc, whose relevance is expanding beyond galvanisation into emerging applications such as zinc-bromide batteries for long-duration energy storage
- Wider access for aluminium, copper and nickel is reinforcing India's presence in key EU markets, including Germany, Italy and France.

*Base metals considered in the tariff-benefit analysis cover key commodities India exports to the EU, such as iron and steel, copper, aluminium, nickel, zinc, lead and tin.

Chemicals	20.5%	1.7%

- India's position as the world's sixth-largest chemical producer[4] creates an opportunity to expand its EU market share in key organic chemicals, with growth potential in acyclic hydrocarbons and phenols
- Broader export momentum across organic and specialty chemicals, allied products and generics is supported by stronger firm-level efficiency through deeper investments in sustainability, regulatory alignment and technology upgrades
- Opportunities for market share expansion are expected to emerge across key destinations such as Germany, Italy, Belgium and the Netherlands.

Gems and jewellery	8.7%	2.5%

- As gold and diamond trade accounts for ~7 per cent of India's GDP (February 2026)[5], stronger export momentum is expected from key jewellery hubs across Gujarat, Rajasthan, Maharashtra and West Bengal, supported by deep design expertise
- EU competitiveness is likely to improve as wider opportunities emerge in lightweight gold, coloured gemstones, silver and fashion jewellery, underpinned by sustained investments in compliance capabilities, sustainability initiatives and branding
- India is expected to further strengthen its position in key European markets, including Belgium, France, Italy and Germany.

Note: Export and import figures for India–EU trade are sourced from Trade Map to ensure a consistent comparison period. The latest available data covers the first ten months of CY25.

3. Trade Map, International Trade Centre, accessed on 12 March 2026
4. Union Budget FY 2026-2027: Chemical Parks, PIB, 4 February 2026
5. Gems and Jewellery Industry in India, IBEF, accessed on 12 March 2026

Potential benefits driving competitive gains

- Share of the EU in India's total exports for 10MCY25[6]
- Share of India in the EU's total imports for 10MCY25[6]

Leather and footwear | 43% | 2%

- Cost competitiveness is expected to improve as India's gap relative to Bangladesh and Cambodia has narrowed, supporting stronger export performance
- Greater sourcing scale from clusters in states such as Uttar Pradesh is likely to drive employment growth, investments and broader enterprise expansion across tanning, finishing and footwear manufacturing
- Upgraded value-led growth in mid-to-premium leather goods may further deepen activity in countries such as Italy, Germany, Spain and the Netherlands.

Marine products | 17.6% | 2%

- As the world's second-largest fish producer, contributing nearly 8 per cent of global output[7], India is well positioned to expand in the EU market, supported by improved access and rising price competitiveness with Vietnam and Ecuador
- The shift towards premium seafood exports is supported by affordable access to high-quality EU inputs such as packaging, preservatives and sustainable feed additives. Preferential entry further improves margins and strengthens market positioning in key markets such as Belgium, Spain and Italy
- Broader export growth across frozen fish, shrimp and value-added seafood is expected to benefit coastal communities in Andhra Pradesh, Kerala and Gujarat.

Medical instruments and appliances | 25.4% | 0.5%

- Enhanced cost-effective access to markets such as Germany, Belgium and the Netherlands is expected across lenses, spectacles, precision testing and measuring instruments
- Opportunities may expand for Indian in-vitro diagnostics (IVD) manufacturers, supported by robust innovation, regulatory preparedness and quality-centric production
- Integration of diagnostics manufacturers, including MSMEs, is anticipated to deepen into the EU value chains by advancing 'Made in India', while also strengthening R&D, quality systems and global certifications.

6. Trade Map, International Trade Centre, accessed on 12 March 2026
7. Marine Products, IBEF, accessed on 12 March 2026

Potential benefits driving competitive gains

- Share of the EU in India's total exports for 10MCY25[8]
- Share of India in the EU's total imports for 10MCY25[8]

Railways/aircraft/ships/boats

13.8% | **0.7%**

- Industrial tariff liberalisation across machinery and electricals is expected to improve cost competitiveness for Indian rail subsystems, supporting stronger sourcing and partnership traction with European OEMs
- Phased duty elimination on aircraft and parts lowers procurement and MRO costs, facilitating Indian avionics and precision engineering firms to scale EU value chain participation
- Zero-duty access enables deeper integration into EU value chains, particularly across France, Germany, Finland and Sweden.

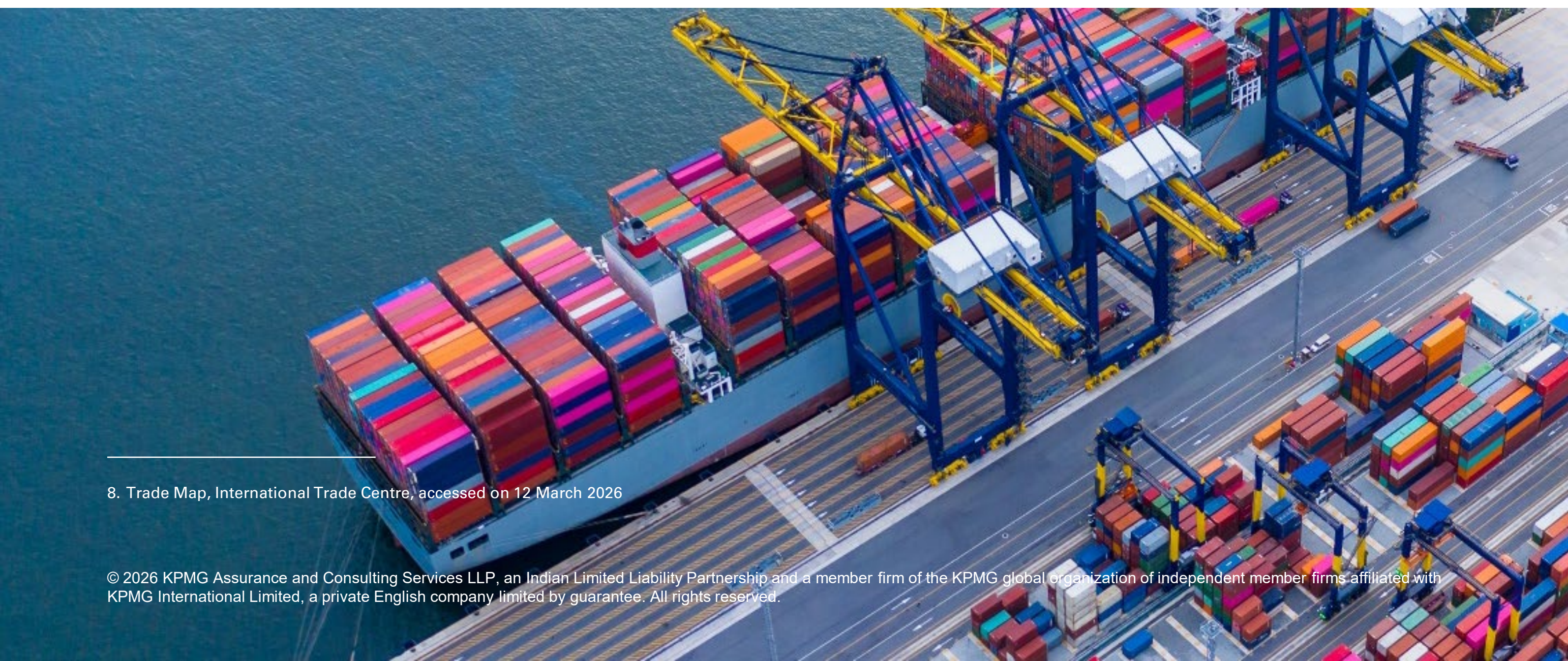
OEM: Original equipment manufacturer; MRO: Maintenance, repair and overhaul

Textile and apparel

20.4% | **2.5%**

- Production and export scale-up across yarn, man-made fibre apparel and ready-made garments in major EU importing markets such as Germany, France, Spain and Italy could support higher MSME capacity utilisation and employment generation
- Zero-duty access to the EU market across all textile and apparel tariff lines is anticipated to place Indian exporters on a level competitive footing with global peers such as Bangladesh, Pakistan and Turkey
- Competitiveness is likely to improve in cotton yarn, man-made fibre apparel, ready-made garments and home textiles, driven by tariff reductions.

Note: Export and import figures for India–EU trade are sourced from Trade Map to ensure a consistent comparison period. The latest available data covers the first ten months of CY25.



8. Trade Map, International Trade Centre, accessed on 12 March 2026

Commodity-wise opportunity landscape

The trade deal is anticipated to widen India's access to the EU market for its rapidly growing commodity exports, creating a clear path to translate tariff liberalisation and predictable entry conditions into potential gains across key segments. These categories, which currently account for a relatively small proportion of the EU's total imports, stand to gain considerably under the revised tariff structure.

	India's total exports to the EU (10MCY25, USD)[9]	India's share in total EU imports (10MCY25)[9]	Strategic levers to strengthen market presence
Mineral fuels and oils	11 bn	1.8%	• Rebalance exports towards Europe-specific feedstocks, leveraging India's refining scale and the FTA's predictable market access to secure multi-year supply contracts with EU traders
Electrical machinery and equipment	7.2 bn	1%	• Leverage lowered import duties for key Indian goods to receive multi-year contracts for electrical machinery, components and power equipment in the EU • Capitalise on the deferred EU Batteries Regulation due diligence rules till 2027 to build traceability and win approved vendor status before compliance tightens.
Nuclear reactors and boilers	4.6 bn	0.6%	• Leverage phased tariff cuts to offer integrated turbine and boiler equipment with lifecycle service commitments to EU industrial clients, positioning India's value proposition around total cost of ownership rather than upfront price
Organic chemicals	4.3 bn	2.3%	• Prioritise exports of specialty and performance chemicals benefiting from zero or low tariffs • Provide robust REACH-compliant documentation to mitigate supply and reliability concerns of EU buyers. REACH: Registration, Evaluation, Authorisation and Restriction of Chemicals

Note: Export and import figures for India–EU trade are sourced from Trade Map to ensure a consistent comparison period. The latest available data covers the first ten months of CY25.

9. Trade Map, International Trade Centre, accessed on 12 March 2026

	India's total exports to the EU (10MCY25, USD)[9]	India's share in total EU imports (10MCY25)[9]	Strategic levers to strengthen market presence
Apparel clothing and accessories	3.9 bn	2.1%	• Capitalise on increased volumes and market penetration to build robust partnerships with EU firms in higher-value segments, including technical textiles and performance fabrics in sportswear • Increase investments in quality systems, sustainable processing and transparent documentation to stay eligible and competitive.
Iron and steel	2.8 bn	2%	• Transition production capacities to verified low-carbon offerings for European buyers to mitigate CBAM liabilities and enable premium pricing/priority allocations
Pharmaceutical products	2.7 bn	0.7%	• Accelerate clinical supply approvals to enhance integration of Indian contract research organisations (CROs) into EU-led global trials • Leverage India's strengths in early Chemistry, Manufacturing and Controls (CMC) and end-to-end discovery-to-manufacturing partnerships with European biotech firms.
Auto and auto components	2.3 bn	0.4%	• Capitalise on the concessions offered to deepen the market share of Indian auto and auto component manufacturers across the European automotive value chains • Leverage enhanced access to improve pricing competitiveness and expand sourcing partnerships with European OEMs.

Note: Export and import figures for India–EU trade are sourced from Trade Map to ensure a consistent comparison period. The latest available data covers the first ten months of CY25.

9. Trade Map, International Trade Centre, accessed on 12 March 2026

	India's total exports to the EU (10MCY25, USD)[9]	India's share in total EU imports (10MCY25)[9]	Strategic levers to strengthen market presence
Pearls, stones and metals	2.2 bn	2.5%	• Amplify domestic production of premium, high-finish designs to enhance gains from the trade agreement • Prioritise store expansion and stronger participation in the EU jewellery trade fairs to enhance foreign currency earning potential.
Rubber and articles	1.2 bn	1.7%	• Leverage India's strong base in latex-based medical rubber manufacturing to expand market share with EUDR-compliant latex products • Tap into the EU's shift towards electric vehicle (EV) and sustainability-focused tyres by scaling EV-ready, low rolling resistance compounds and eco-friendly materials.

EUDR: European Union Deforestation Regulation

Note: Export and import figures for India–EU trade are sourced from Trade Map to ensure a consistent comparison period. The latest available data covers the first ten months of CY25.

9. Trade Map, International Trade Centre, accessed on 12 March 2026

Tariff revisions potentially boosting domestic value

The India-EU FTA is expected to create a strategic avenue for India to reshape its import portfolio by tapping into high-value European products that bring advanced technologies, elevated standards and strong manufacturing depth in the country, positioning these imports as catalysts for strengthening domestic value chains. This may further enable European companies operating in India to broaden their presence and integrate more deeply into the country's expanding production ecosystem.

	Tariff revisions	Key implications
Automobiles[1]	**110% → 10%** (Quota of 250K)	• Boosts consumer value and technology transfer by improving access to advanced European technologies • Strengthens the domestic auto ecosystem through deeper integration with German and French auto supply chains by leveraging tariff reductions on auto parts.
Alcoholic beverages[2]	**Up to 150%** → 30% for most wines 40% for all spirits 50% for beer	• Enhances the overall consumer experience and premiumisation across the food and beverage sector • Supports growth across allied sectors such as tourism and hospitality through higher imports from France, Italy, Spain and Germany.
Aircraft and spacecraft parts[3]*	**Up to 11%** → 0% (for almost all products)	• Reduces maintenance and production costs, supporting aviation, defence and space sectors • Enhances competitiveness by improving fleet readiness, domestic aerospace manufacturing and reinforcing demand from French and other European firms.

*Tariff reductions are likely to be phased over up to 10 years

1. EU and India conclude landmark Free Trade Agreement, European Commission - Press release, 27 January 2026
2. MEMO: EU-India Free Trade Agreement: Chapter-by-Chapter Summary, European Commission, accessed on 12 March 2026
3. Factsheet - EU-India Free Trade Agreement: Main benefits, European Commission, accessed on 12 March 2026

	Tariff revisions	Key implications
Machinery and chemicals[3]*	**Up to 44% (machinery)** **Up to 22% (chemicals)** → 0% (for almost all products)	• Reduces input costs by making machinery and chemical imports duty-free, improving manufacturing affordability • Enhances industrial competitiveness by enabling wider adoption of advanced machinery and high-quality chemical inputs.
Medical and surgical equipment[3]*	**Up to 27.5%** → 0% (for 90% the products)	• Reduces healthcare costs by lowering prices of imported medical and surgical equipment • Improves access to advanced diagnostics and treatment tools, strengthening India's healthcare delivery system.

*Tariff reductions are likely to be phased over up to 10 years

3. Factsheet - EU-India Free Trade Agreement: Main benefits, European Commission, accessed on 12 March 2026

Strategic synergies driving coordination

Alongside tariff reductions, the FTA is anticipated to introduce a comprehensive set of non-trade initiatives spanning security and defence collaboration, climate and clean energy cooperation, critical technology partnerships, mobility frameworks and broader regulatory alignment, collectively positioning India and the EU for deeper, long-term engagement[1].

Security and defence partnership (SDP)

- The proposed SDP institutionalises cooperation across priority security domains such as maritime security, cybersecurity and counterterrorism through an annual Security and Defence Dialogue
- It deepens defence-industrial collaboration and regional security coordination through an industry-led Defence Industry Forum and sustained engagement on Indo-Pacific security initiatives.

Critical technology cooperation

- Elevates engagement and investment in critical and emerging technologies, including semiconductors and AI, supporting India's technological advancement
- This focus is reinforced through coordinated policy frameworks, led by the TTC and complemented by India-EU Innovation Hubs and Startup Partnerships promoting innovation and technology investment.

TTC: Trade and Technology Council

Advancing climate action and clean transition

- Climate action collaboration between India and the EU is set to support shared energy transition goals, backed by robust EU green investment commitments
- Deeper cooperation under the India-EU Clean Energy and Climate Partnership across smart grids, storage and hydrogen could further accelerate technological progress.

1. India–EU Free Trade Agreement Concluded: A Strategic Breakthrough in India's Global Trade Engagement, PIB, 27 January 2026

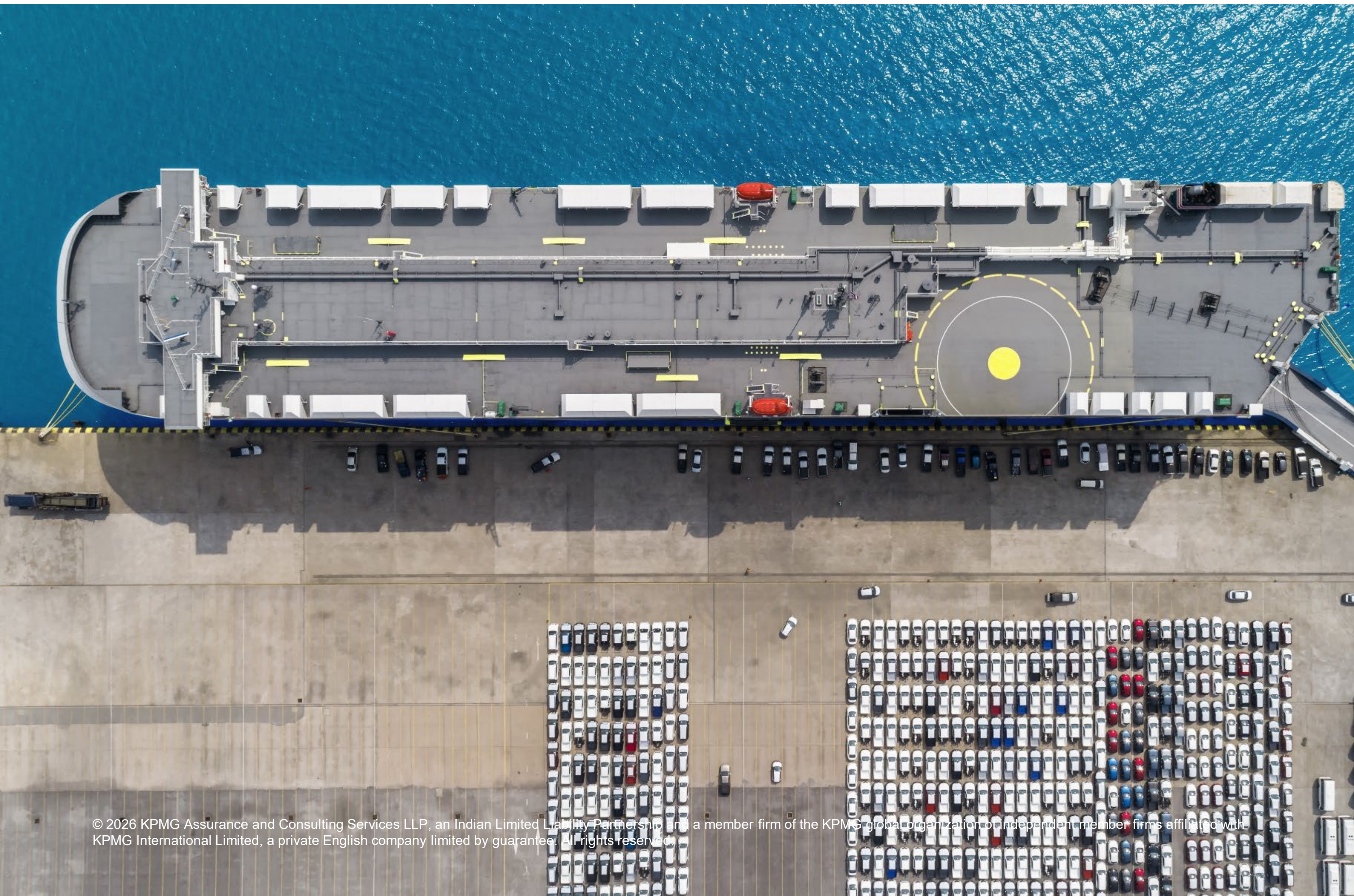
Intellectual property (IP) protection

- Provides high-level protection and enforcement covering trademarks, designs, copyrights, trade secrets and plant varieties, while supporting cooperation on technology transfer
- Aligns IP rules with TRIPS and the Doha Declaration, while formally recognising India's Traditional Knowledge Digital Library as a tool for information exchange on IP and technology transfer practices.

TRIPS: Trade-Related Aspects of Intellectual Property Rights

Cross-border services and talent mobility

- Expanded access to 144 EU services subsectors strengthens the position of Indian service providers, enabling delivery of competitive, high-quality services across the European market
- Facilitation of an advanced mobility framework for temporary entry may create a predictable pathway for skilled and semi-skilled Indian professionals and support smoother deployment in the EU.



Accelerating India's trade competitiveness

Potential factors that could impact India's export performance

As the India-EU FTA enters its next phase, several emerging regulatory developments may affect India's export competitiveness, particularly for MSME-led value chains.

- The EU's expanding sustainability framework, including CBAM, might create vulnerabilities for India's steel and aluminium exports by raising costs and affecting competitiveness.
- The European Union's Deforestation Regulation (EUDR) could restrict agricultural exports due to deforestation-related compliance gaps.
- The CSDD directive is expected to require companies to monitor ESG risks across supply chains, increasing data-collection demands, elevating compliance and data-security concerns.
- The EU's forthcoming DPP may limit Indian exports by mandating verified sustainability data, thereby raising compliance costs and demanding higher investments in supply chain traceability.

CSDD: Corporate Sustainability Due Diligence; ESG: Environment, social and governance; DPP: Digital Product Passport

Strategic pathways powering long-term stability

Amid these rising regulatory shifts, it is essential for industries to transform compliance challenges into strategic opportunities that build long-term competitiveness and resilience. By aligning with emerging global standards and strengthening EU partnership channels, India is well placed to expand sector opportunities and strengthen participation in global value chains. A forward-looking approach, supported by industry preparedness and deeper institutional coordination, would be essential to realise these gains.

Provide clear and timely guidance to industry on tariff schedules, service commitments and regulatory changes, such as rules of origin, to enable early preparedness and informed adjustment decisions.

Strengthen domestic compliance and quality infrastructure in labour-intensive sectors to help Indian exporters consistently meet EU standards on safety, sustainability and traceability.

Pursue phased tariff liberalisation with safeguards, while upgrading domestic competitiveness through targeted investments such as technology adoption and workforce skilling across priority export sectors.

Protect strategic policy interests by translating the negotiated flexibilities on data governance, IP and EU CBAM-related cooperation into balanced and predictable implementation outcomes.

Enhance services trade and mobility outcomes by enabling qualification recognition, facilitating talent movement and strengthening digital trade integration with the EU through clear mobility pathways.

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