



INDIA-EU FTA TO RESHAPE MARKET ACCESS ACROSS SECTORS

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Published in the [LiveLaw](#)

The European Union and India have announced the conclusion of negotiations on a historic Free Trade Agreement (FTA) between the second and fourth largest economies. This deal has been called the “Mother of all deals” unlocking opportunities and empowering India. Agreement to come into force in 2027.

Several formal steps remain before the FTA comes into force. On the EU side, the draft texts are published, legal revisions and translations made and then submitted to the EU Council for signature and conclusion, followed by adoption by the Council. The Agreement will then be signed by the EU and India and must also receive the approval of the European Parliament. The FTA must also be ratified by India.

Sectoral Gains in Trade of Goods

Agriculture

Agriculture is one of the most sensitive yet important sectors covered under the Agreement. The FTA gives India greater market access to value-added agricultural segments, such as tea, coffee, spices, table grapes, gherkins, cucumbers, dried onion, fresh fruits, vegetables, and processed foods. No concessions have been given under the FTA by India, in sectors such as dairy, cereals, poultry, soymeal and certain fruits and vegetables. These exclusions ensure that domestic food security and small farmer interests are not compromised.

The EU will benefit from significantly lower tariffs on import of wines, spirits, beer, olive oil, fruit juices, breads, pastries, pasta, sheep meat etc.

Marine Products

Marine products are among India's fastest-growing agricultural exports, and the EU is a major global seafood market. Preferential access under the FTA is expected to significantly improve India's position in shrimp, frozen fish, and value-added seafood. This is important as many of the exporters are in MSMEs.

Textiles, Leather, and Footwear

The EU is one of the largest markets for textiles, garments, leather, and footwear. EU tariffs in these sectors range from 8% to 17%, while some competing countries have preferential access with lower tariffs. The FTA will enable the Indian exporters to compete, and to upgrade their products to meet EU standards.

Engineering Goods and Machinery

Engineering goods are among India's top export categories to the EU, including machinery, auto components, electrical equipment, and industrial products. Preferential access will encourage EU companies to integrate Indian suppliers more deeply into their global value chains.

India will eliminate tariffs on engineering goods from the EU, which currently attract tariffs of up to 44%. The access to high quality engineering goods would support manufacturing in India.

Chemicals, Plastics and Rubber

The Agreement provides for zero or near-zero duties for a large segment of Indian exports to the EU of chemicals and plastics including organic chemicals, specialty chemicals, and rubber products. India proposes to reduce the tariffs on EU imports of chemicals from 22% to zero, and plastics from 16.5% to zero, over a period of 10 years.

Gems and Jewellery

India is a global leader in cut and polished diamonds and has strong capabilities in gold and studded jewellery. Tariff reductions from existing levels of up to 4% can improve India's competitiveness in the EU's large jewellery import market. This sector consists primarily of MSME units, generating substantial employment. India will reduce tariffs on Imports of pearls, precious stones, and metals (currently 22.5%) to zero for 20% of the EU exports and make tariff reductions for another 36%.

Medical Devices and Instruments

The FTA provides for reduction of tariffs in EU on medical devices, diagnostic equipment, and optical goods. Elimination of tariffs in India for EU optical, medical, and surgical equipment.

Iron & Steel, Automobiles, Spacecraft, Aircraft

Tariffs on Iron & Steel to be eliminated for almost all products over a period of 10 years. In the automotive sector, India to reduce tariffs on Motor Vehicles, Automobiles, equipment etc. from EU From the current levels of 110% to 10% with a quota of 250,000 vehicles annually, within a period of up to 5 to 10 years. Tariffs on import of Spacecraft and Aircraft into India to be eliminated from the current 11%.

Pharmaceuticals

India to reduce tariffs on almost all EU pharmaceutical products. Exporters will be able to self-certify the origin of goods through a Statement of Origin, which would be subject to verification by the customs authorities of the importing country.

Trade in Services

Market Access

The EU has made commitments across more than 140 subsectors providing Indian firms with greater certainty in sectors such as IT, business services, education, and professional services. India's IT and digital services industry will benefit from clearer rules, reduced discrimination, and improved mobility provisions.

India has made commitments in over 100 subsectors opening opportunities for EU firms in areas such as financial services, telecommunications, environmental services, and logistics. India has also agreed to adopt a framework like the Understanding on Commitments in Financial Services, which India did not follow in GATS.

The agreement also introduces new disciplines for India relating to senior management and boards of directors, as well as rules on local presence.

Movement of Professionals

The temporary movement of professionals to support Indian companies operating in Europe and European firms investing in India, including intra-corporate transferees and contractual service suppliers have been provided for under the FTA.

Financial and Regulatory Framework

India has agreed to provide a framework similar to the Understanding on Commitments in Financial Services under General Agreement on Trade in Services. The FTA also introduces commitments relating to senior management and boards of directors.

SPS, Standards and Regulatory Cooperation

Sanitary and phytosanitary measures and technical standards often hinder trade more than tariffs. The FTA provides for Increased cooperation, digitisation and other initiatives which can give enable exporters to meet these standards.

A Balanced Economic Partnership

Overall, the India–EU FTA is structured as a balanced exchange, while India gains improved access for agriculture, labour-intensive manufacturing, engineering goods, and services, along with professional mobility. The EU gains deeper access to India's large services market, investment opportunities, diversified sourcing for industrial and Agri products, and access to skilled talent.