



GLOBAL WEALTH MANAGEMENT

RESEARCH & INSIGHTS

INDIA-EU FTA Opportunities and Challenges

Author : Gaurav Kumar
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INDIA-EU FTA : Opportunities and Challenges

The India-European Union Free Trade Agreement (FTA) is one of the most talked about economic partnerships today, carrying the promise of reshaping trade and investment between two major players on the global stage. The EU is already India's second-largest trading partner, while India offers the EU a dynamic and fast-growing market. Together, they share common values of democracy and cooperation, but also face differences that make negotiations both complex and significant. The FTA, first proposed in 2007 and recently revived, is expected to bring opportunities in areas such as market access, technology, clean energy, and job creation. At the same time, it must address challenges like strict regulations, agricultural concerns, and mobility of professionals. This article explores both sides of the story opportunities and roadblocks to understand how this deal could shape the future of India-EU relations and strengthen their role in a changing global economy.

1. Introduction

- India and the European Union share a deep-rooted partnership that extends beyond trade, built on diplomatic cooperation, political dialogue, and common democratic values. The EU is India's second-largest trading partner, accounting for a substantial share of its exports in sectors such as textiles, pharmaceuticals, IT services, and machinery. Conversely, India ranks as the EU's ninth-largest trading partner, offering a dynamic market for industrial goods, services, and investments. Yet, despite this solid foundation, the trade relationship has not reached its full potential. In this
- context, the proposed India-EU Free Trade Agreement (FTA) holds significant strategic value. Encompassing goods, services, investment, intellectual property, and sustainable development, the agreement promises to open new avenues for growth. Key industries including IT, renewable energy, agriculture, pharmaceuticals, and automobile manufacturing stand to gain. Moreover, beyond economic gains, the FTA carries geopolitical importance as both partners seek stable alliances amid global uncertainties, disrupted supply chains, and growing protectionism.

This article seeks to explore the India-EU FTA by highlighting the opportunities it offers for trade and diplomacy, along with the challenges that continue to shape the negotiation process.

(EU Trade Relations With India, 2025)

2. Historical Background

- India first established diplomatic ties with the European Economic Community in 1962, and by 1983 the European Commission had set up a Delegation in India. Parliamentary exchanges began in 1981 between the European Parliament and India's Lok Sabha, and in 2007 the European Parliament created a Delegation for relations with India (DIN). India was designated an EU strategic partner in 2004, followed by action plans in 2005 and 2008 that prioritized FTA talks, maritime transport, and climate change initiatives. This partnership has been anchored in multilateral cooperation, stronger trade and economic engagement, and collaboration on sustainable development. *(Navarra et al., 2020)*
- Since 1971, EU-India trade has operated under the Generalised System of Preferences. Formal negotiations on a **broad-based Bilateral Trade and Investment Agreement (BTIA)** began in 2007, guided by a "deep integration" agenda covering tariff cuts on 90% of tariff lines, services liberalization, investment, public procurement, standards, IPRs, competition, and dispute resolution. The European Parliament has consistently backed the strategic partnership and FTA negotiations, reflected in its resolutions of 2005, 2008, and 2011. These emphasized the importance of a binding trade and sustainable

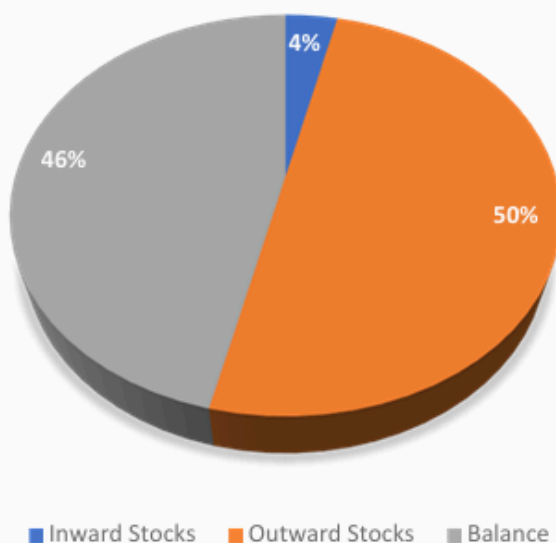
- India and EU had launched talks for having a wide-ranging Free Trade Agreement (FTA), officially called **broad-based BTIA**, long ago in 2007.
- These negotiations are pursuant to the commitment made by political leaders at the 7th India-EU Summit held in Helsinki on 13th October 2006 to move towards negotiations for a broad-based trade and investment agreement on the basis of the report of India-EU High Level Technical Group.

development chapter, respect for human rights and democracy, and dialogue on sensitive issues such as Kashmir. (Navarra et al., 2020)

- However, BTIA talks stalled in 2013 due to unresolved differences. By 2015, efforts to revive discussions resurfaced, alongside growing cooperation in other areas. A European Parliament study cautioned that bilateral relations should not be held hostage to trade negotiations. It highlighted opportunities for collaboration in global governance, security and defence (particularly counter-terrorism and maritime security), science and technology (still limited despite a 2001 agreement), as well as energy and renewables. Human rights remain a central element in EU-India relations: while the EU seeks to promote rights globally, India has faced criticism at home and abroad for rights violations. The study noted that India's rising geopolitical ambitions could make it more sensitive to such concerns. (Navarra et al., 2020)
- From 2007 to around 2013, the BTIA negotiations proceeded through seven to fifteen rounds, but ultimately stalled due to unresolved differences on issues such as market access, FDI, pharmaceuticals, agriculture, regulatory standards, civil nuclear cooperation, and intellectual property rights
- A renewed geopolitical push following the EU-India Summit in Porto in May 2021 reignited momentum. By June 2022, formal negotiations resumed not only on the FTA, but also on separate Investment Protection and Geographical Indications (GI) agreements.
- Since then, ten-plus negotiation rounds have taken place through mid-2025, with some chapters (e.g., transparency, customs facilitation, intellectual property, regulatory practices) reportedly closed. High-level political engagement intensified in February 2025 when Prime Minister Modi and Commission President Von Der Leyen agreed to fast-track the FTA with a target to conclude within the year.
- Currently, EU has emerged as a major investor in India, with its FDI stock rising from €82.3 billion in 2019 to €140.1 billion in 2023, making it one of the country's leading foreign investors. At the same time, India's FDI stock in the EU stood at €10.2 billion.

Foreign Direct Investment (2023),

EUR Billion



- **Inward stock** → Investments flowing into the country from abroad (foreign investors buying Indian stocks).
- **Outward stock** → Investments flowing out of the country (domestic investors or companies investing in foreign stocks/assets).
- *Example:* If foreign investors buy shares in Indian companies → inward stock.
If Indian companies buy shares in U.S. firms → outward stock.

Source: (EU Trade Relations With India, 2025)

- Bilateral Trade Between EU-India (Goods + Services) Total
bilateral trade at **US \$158.2 billion for 2024**, with a breakdown of:
Imports from EU to India: US \$65.12 billion. Exports from India to EU: US \$93.08 billion.

Source: (TradelmeX, 2025)

3. Opportunities

- The proposed Free Trade Agreement (FTA) between India and the European Union (EU) presents a wide spectrum of opportunities that go beyond mere tariff reductions. At its core, the agreement has the potential to accelerate **economic growth** for both partners. *The EU is already India's second-largest trading partner, accounting for a significant share of its exports in sectors such as textiles, pharmaceuticals, IT services, and machinery.* Formalizing and deepening trade ties through an FTA could unlock untapped potential, attract fresh investment, and create new avenues for businesses to expand into each other's markets. The sheer size and dynamism of both economies make this an attractive prospect for growth.
- A major opportunity lies in **greater market access**. Indian exporters would gain wider entry into the EU, which is one of the world's largest consumer markets with high purchasing power. This would especially benefit sectors such as apparel, agricultural products, pharmaceuticals, and information technology services. At the same time, European businesses would find an expanding consumer base in India, driven by its rising middle class and rapid urbanization. Improved market access would also enhance competitiveness, lower costs for consumers, and stimulate innovation on both sides.
- Another critical dimension is **technology transfer and innovation**. The EU has established itself as a leader in clean energy, digital technologies, and advanced research. By strengthening ties with Europe, India can leverage expertise and collaborative projects to modernize its industries. This would particularly benefit India's renewable energy sector, its digital economy, and ongoing efforts in research and development. Collaborative innovation could also accelerate India's transition to a knowledge-based economy while offering European firms cost-effective opportunities in India's growing tech ecosystem.
- The FTA also promises to advance **sustainability goals**. Both India and the EU are committed to addressing climate change and promoting green growth. Enhanced cooperation in renewable energy, sustainable agriculture and green technologies would help both sides achieve their climate targets. By aligning trade policies with environmental standards, the FTA can become a model for sustainable international partnerships.
- Equally significant is the **diversification of supply chains**. The COVID-19 pandemic and rising geopolitical tensions have exposed vulnerabilities caused by overreliance on single countries, especially China. A stronger India-EU partnership can build alternative, resilient supply chains that benefit industries ranging from electronics to pharmaceuticals.
- Finally, the FTA carries a strong **geopolitical advantage**. In an era of shifting global power dynamics, closer India-EU relations will help both position themselves as key players in promoting a multipolar world order. Beyond economics, the partnership would strengthen political trust, shared democratic values, and cooperation on global governance, ensuring that the India-EU FTA is not just about trade, but about shaping a more balanced and collaborative international system.

4. Challenges

- While the India-EU Free Trade Agreement (FTA) holds immense promise, it also faces several significant challenges that have historically stalled negotiations and continue to complicate progress. One of the foremost hurdles is regulatory differences. The European Union has some of the world's most stringent standards related to labour rights, environmental protection, and data privacy. Indian businesses often find it difficult to comply with these rules due to higher costs, complex certification processes, and differing domestic regulatory frameworks. Unless these gaps are bridged, Indian exporters may face limited benefits despite reduced tariffs.
- Agricultural trade presents another area of contention. The EU has a long history of providing subsidies to its farmers and adopting protectionist policies to safeguard its agricultural sector. India, with its vast agrarian economy, fears that opening its markets without adequate safeguards would hurt its farmers, who already operate on thin margins. Disputes over tariffs on dairy, poultry, and certain crops have been especially sensitive, making agriculture one of the toughest areas to reconcile in the FTA.
- Another persistent challenge relates to Intellectual Property Rights (IPR). The EU has pushed for stricter IPR protections, particularly in pharmaceuticals, which directly impacts India's robust generic drug industry. India, often termed the "pharmacy of the developing world," is concerned that excessive restrictions on generics would make essential medicines less affordable domestically and reduce its role as a low-cost supplier to developing countries. Finding a balance between innovation and accessibility remains a critical sticking point.
- The issue of services and mobility also complicates negotiations. India has consistently sought greater access for its skilled professionals, especially in IT and knowledge-based services, to work in the European market. However, the EU has been reluctant to liberalize the movement of professionals due to domestic political concerns over immigration and labour competition. This asymmetry India pushing for services while the EU prioritizes goods creates a negotiation imbalance.
- Additionally, the EU often insists on incorporating human rights, labour, and sustainability clauses into trade agreements. While India shares commitments to sustainability and democratic values, it views such conditions as intrusive and politically sensitive, fearing they may be used as non-tariff barriers to trade.
- Finally, the sheer complexity of negotiations poses a structural challenge. The EU consists of 27 member states, each with its own economic interests and political priorities. Aligning these with India's diverse economic needs makes consensus-building slow and difficult. This was one of the reasons earlier FTA talks stalled after being launched in 2007, and even after their revival in 2022, progress remains cautious.

In short, while the opportunities are compelling, addressing these challenges will be essential for ensuring that the India-EU FTA becomes a balanced, equitable, and sustainable partnership.

5. Strategic Priorities

- **Balance between rules and growth** - India needs space for its development, while the EU wants strict rules on labour, environment, and data. Finding a middle ground is key.
- **Step-by-step progress** - Starting with easier areas like digital trade, clean energy, and climate action can help build trust before tackling tougher issues like agriculture and services.
- **Strong dispute system** - A clear and fair system to handle trade disputes will give both sides more confidence and make the agreement work better in practice.
- **Focus on win-win outcomes** - Instead of being too protective, both sides should use their strengths. India's services and workforce with Europe's technology and investment to benefit each other.
- **Think long-term** - The FTA should be more than just a trade deal. It can make supply chains stronger, support green growth, and improve India-EU cooperation in global politics.

6. Conclusion

The India-EU Free Trade Agreement has the potential to reshape one of the world's most important economic partnerships. With bilateral trade in goods reaching around US \$160 billion in 2024, the relationship is already strong. Yet, the FTA could unlock much greater opportunities by lowering trade barriers, encouraging investment, and building resilient supply chains. While challenges remain such as differences over regulations, agriculture, and the movement of professionals the long-term benefits outweighs the hurdles. By focusing on balanced negotiations, step-by-step progress, and trust-building, India and the EU can move toward an agreement that not only strengthens their economies but also contributes to global sustainability and stability. In a shifting world order, a successful India-EU FTA would be more than just a trade deal it would mark the beginning of a deeper strategic partnership between two of the world's largest democratic economies.

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