



India-EU FTA:

India's Competitiveness, Prospects, and Global Bargaining Power



Introduction

On 27 January 2026, at the 16th India–EU Summit, India and the European Union (EU) concluded a historic, comprehensive Free Trade Agreement (FTA) intended to deepen and stabilise trade between the two major markets, linking India, the world's fourth-largest economy, with the EU, the world's second-largest economic bloc. The agreement is designed to expand market access, reduce trade frictions, and improve the predictability of cross-border commerce for businesses on both sides, against the backdrop of an already large and growing relationship in which India–EU goods trade in FY25 stood at \$136.54bn. For India, it supports an export-led growth agenda by strengthening access to a high-standard market and encouraging greater integration into European value chains, with preferential entry covering more than 99.0% of Indian exports by trade value. For the EU, it reflects a strategic commitment to India as a long-term partner and a more diversified source of supply, shaped by the scale of the partnership, with India and the EU together comprising around a quarter of global

Gross Domestic Product (GDP) and accounting for roughly one third of global trade.

The significance of the agreement extends beyond border duties. It further aims to improve the practical conditions of trade through clearer rules, streamlined procedures, and stronger frameworks for compliance and dispute resolution, including mechanisms to manage evolving regulatory requirements and reduce friction for firms operating across borders. This is expected to reduce administrative uncertainty and facilitate long-term investment and sourcing decisions, while widening opportunity for Micro, Small, and Medium Enterprises (MSMEs) and labour-intensive export sectors to scale their participation in EU's big heterogeneous market.

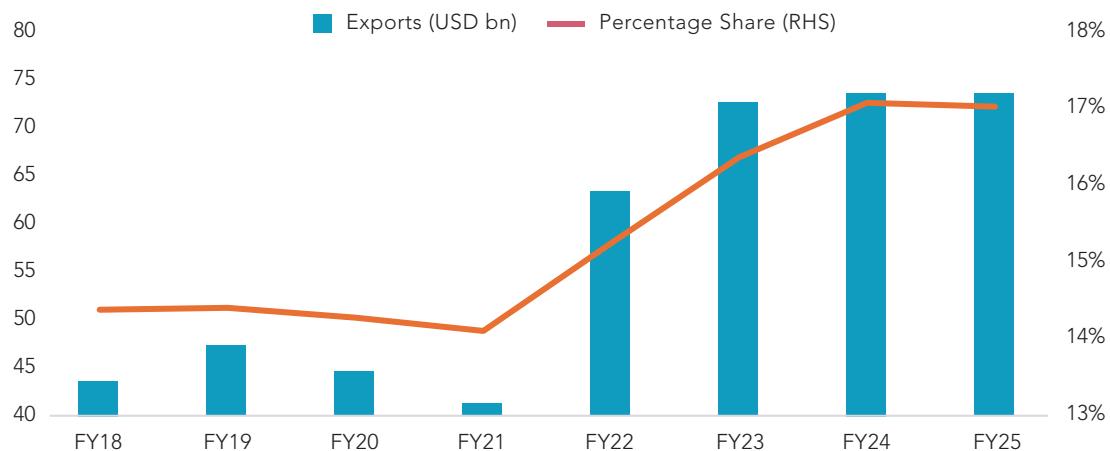


History

Although the agreement may appear to have emerged suddenly, it is the outcome of long-running negotiations since June 2022. A central driver is the growing importance of the EU market for India's exports. Over the past eight years, the EU has moved from being a steady destination to becoming a core pillar of India's external demand. In the years leading up to the pandemic, exports to the EU and the EU's share in India's total exports were broadly stable. Since 2021, however, the trend has shifted decisively: exports to the EU have risen sharply and the EU has taken a larger share of India's overall exports. This indicates that India has expanded faster in the European market than in other destinations, raising the EU's weight in India's export basket to roughly one-sixth. Economically, it reflects deeper trade integration, greater exposure to European demand, and a stronger incentive for India to lock in predictable market access and supply-chain linkages with Europe.

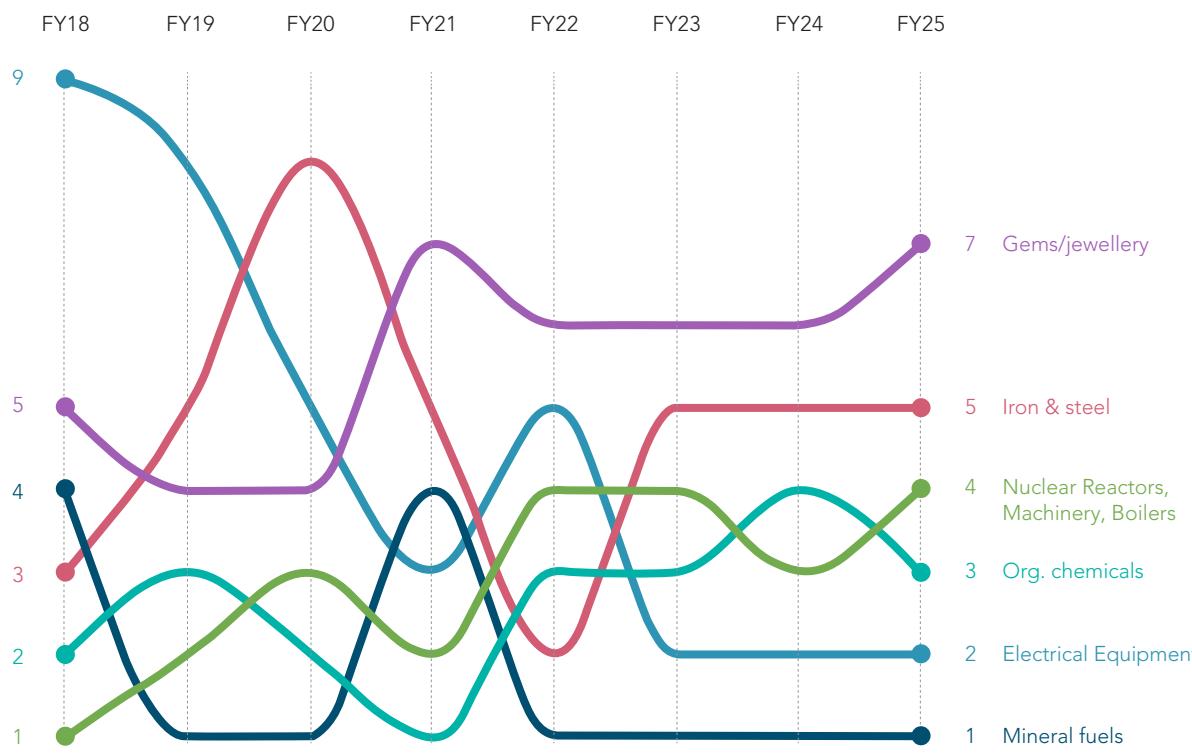
This export momentum is concentrated in a relatively stable top tier of products that blends price-sensitive commodities with deeper industrial linkages. Mineral fuels lead the ranking in most years, making overall export values more sensitive to global energy price cycles. At the same time, the persistent presence of machinery (nuclear reactors and boilers included), organic chemicals, and iron and steel points to sustained integration with EU industrial demand rather than episodic trade. The emergence of electrical equipment into the top five in recent years reinforces a gradual shift toward more complex, standards-intensive manufacturing exports. Gems and jewellery also feature prominently, underscoring the continued relevance of India's traditional, value-added export strengths within the EU market.

India's Merchandise Exports to the European Union



Source: Ministry of Commerce and Industry

Product-wise India's Top-5 Exports to the EU



Note: Figures represent rank by export value

Source: Ministry of Commerce and Industry



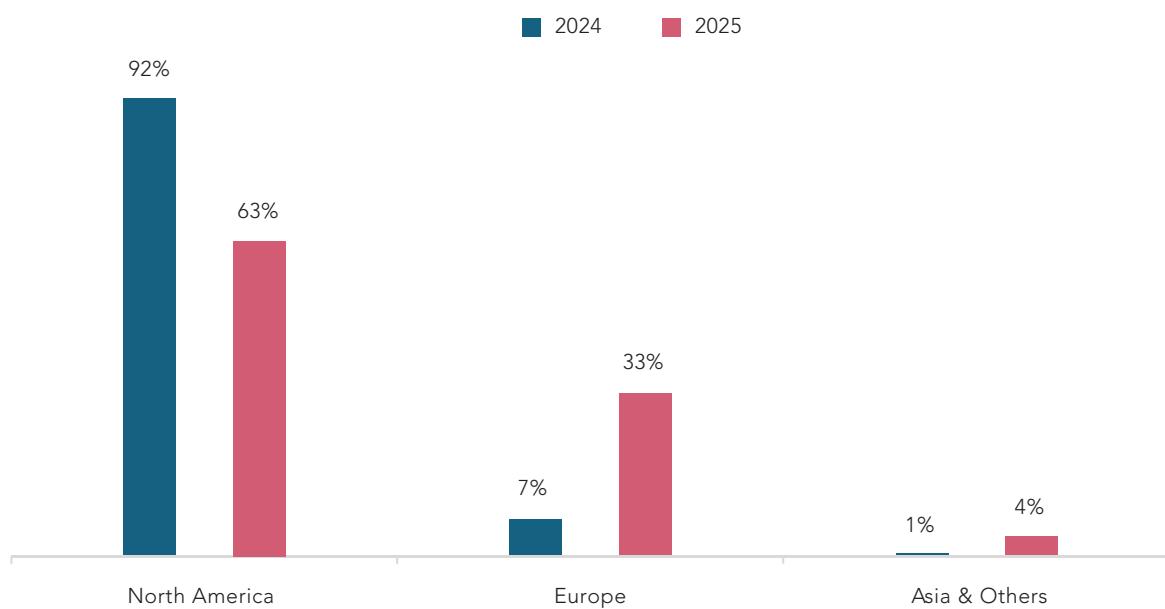


Dun & Bradstreet's Perspective

In the year leading up to this FTA, Dun & Bradstreet observed a clear shift in market interest, reflected in a sharp rise in inquiries from Europe about Indian businesses. This increase in due diligence and partner discovery indicates that EU firms are actively exploring deeper engagement with Indian companies and supply chains, drawn by India's growing role as a production base and as a gateway to a large and expanding consumer market. Such inquiry trends often serve as an early signal of forthcoming shifts

in trade flows and investment decisions and can foreshadow the direction of larger commercial alignments and policy agreements. The regional split underscores the point: while inquiries from North America and several other regions declined, interest rose strongly from Europe and Asia, suggesting that firms in these markets are most actively reassessing sourcing, partnerships, and value-chain strategies around India.

Region-wise Share of Inquiries on Indian Entities



Source: Dun & Bradstreet



Gains for the EU: Access to India

Against the backdrop of rising commercial engagement, the agreement's most immediate gains for the EU come from materially improved tariff treatment and clearer market-entry conditions in India.

- India will eliminate or reduce tariffs on 96.6% of EU goods exports, with the EU estimating the deal could roughly double EU goods exports to India and save up to \$4.79bn per year in duties.
- Import tariffs on cars are set to fall from 110.0% to 10.0%, subject to a quota of 250,000 vehicles per year; for car parts, most tariffs are to be removed over 5–10 years.
- India's high tariffs of up to 44.0% on machinery, 22.0% on chemicals, and 11.0% on pharmaceuticals will be mostly eliminated.
- Indian agri-food tariffs on selected EU priority products will be cut sharply, with several lines moving to full elimination over agreed timelines. In particular, tariffs on processed foods such as confectionery, breads, pastries, pasta, chocolates, and pet food (currently 33.0%) are to be eliminated either at entry into force or after staging, while sheep meat (currently 33.0%) is to be phased down to zero over the staging period. Olive oil (current tariff up to 45.0%) will likewise see duties eliminated either at entry into force or after a five-year staging period.
- For alcoholic beverages and selected food products, official EU factsheets indicate substantial tariff reductions, including wine from 150.0% to 30.0%, spirits from up to 150.0% to 40.0%, and beer from 110.0% to 50.0%.

Overall, the agreement gives EU exporters a clear competitive advantage in the Indian market by lowering some of India's highest tariff barriers and improving the predictability of market entry. Reduced duties in autos, industrial goods, and selected agri-food categories should expand the addressable market for European firms, strengthen price competitiveness, and support more durable commercial relationships through deeper distribution and after-sales networks. For Indian consumers, this is largely positive, as greater competition and lower import costs can translate into better quality and wider choice at more affordable prices. For Indian firms, the adjustment is more mixed: the reduction in tariff protection increases competitive pressure, rewarding those that upgrade products and efficiency while challenging producers whose viability depended primarily on price insulation. In practical terms, the deal positions the EU to scale exports and gain market share in segments that were previously constrained by high border costs.



Gains for India: Access to EU

Given the EU's growing importance in India's export basket, the FTA's most immediate gains for India come from expanded preferential access to the EU market. Some key elements are as follows:

- India has preferential access to EU markets across 97.0% of tariff lines, over 99.0% of trade value. Within this, 70.4% of tariff lines covering 90.7% of India's exports receive immediate duty elimination.
- Key labour-intensive sectors, including textiles and apparel, marine products, leather and footwear, chemicals, plastics and rubber, sports goods, toys, and gems and jewellery, will move to zero duty from the entry into force of the FTA.
- Beyond immediate eliminations, 20.3% of tariff lines covering 2.9% of exports move to zero duty within 3–5 years. A further 6.1% of tariff lines covering 6.0% of exports receive preferential access through tariff cuts or tariff-rate quotas (TRQs), including provisions for cars, steel, and certain shrimp and prawn products.
- The FTA includes measures to reduce non-tariff barriers through regulatory cooperation, greater transparency, and streamlined customs and border procedures, including in the areas of Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT). It also includes Carbon Border Adjustment Mechanism (CBAM) commitments, such as a Most-Favoured-Nation-style (MFN) assurance on flexibilities, technical cooperation (including recognition of carbon pricing and verifiers), and targeted support to help meet emerging carbon requirements.

Economically, the agreement improves India's position in the EU market in two distinct ways: it lowers the tariff disadvantage that previously priced many Indian products out of European supply chains, and it reduces the non-tariff "cost of compliance" that often determines whether an exporter can scale in the EU at all. Immediate duty elimination lifts competitiveness for India's labour-intensive sectors, while staged reductions and tariff-rate quotas create additional pathways in more sensitive product lines, helping firms plan capacity, contracts, and investment with greater certainty. For Indian producers, the upside is not just higher volumes but also a push toward upgrading, since sustained EU market access typically requires tighter standards, traceability, and process discipline; firms that adapt can move up the value chain, while those that cannot, may remain stuck in low-margin segments. The spillover matters domestically as well: as exporters improve quality and compliance to meet EU benchmarks, more "export-grade" products and processes can diffuse into the home market, giving Indian consumers wider access to better-quality goods and improved product reliability. Finally, cooperation around CBAM requirements lowers the risk that carbon-related rules dilute competitiveness for metals and other emissions-intensive sectors, protecting margins where regulatory costs could otherwise offset tariff gains.

Old vs New Tariffs

Sector	Pre-deal EU duty	Post-deal outcome	Coverage / timing
Textiles & clothing	Up to 12.0%	Zero duty access	All tariff lines; immediate duty elimination
Leather & footwear	Up to 17.0%	Zero duty	All tariff lines; at entry into force
Gems & jewellery	Up to 4.0%	Preferential access, zero duty	100.0% of trade value; immediate duty elimination applies
Chemicals	Up to 12.8%	Zero duty	97.5% of export basket by value
Medical instruments / appliances / supplies	Up to 6.7%	Zero duty	99.1% of trade lines
Marine products	Up to 26.0%	Preferential access	Mix of immediate eliminations, 3–5 year phase-outs, and TRQs
Engineering goods	As high as 22%	Preferential market access	Endpoint/staging not specified
Mines & minerals	Up to 8.0%	Zero duty	100.0% of tariff lines
Home décor / wooden crafts / furniture	Up to 10.0%	Lower duties (up to 10.5% referenced)	Endpoint/staging not specified
Plastics & rubber	Up to 6.5%	Zero duty; preferential access	General clause: zero duty from entry into force; sector note: "preferential access"

The question now is what lies ahead for India and how it can translate improved market access into sustained gains across these ten key sectors. The opportunity is significant, but real outcomes will depend on how effectively Indian firms and policymakers address competitiveness, compliance, and scale.



1. Chemicals

- a. EU imports or market size in 2024: \$309.17bn
- b. India's exports: \$16.97bn / 5.5%
- c. HSN codes: 28-30
- d. U.S. (24.9%) and China (13.5%) largely export chemicals to the EU under the EU's standard MFN/Common Customs

Tariff (CCT) unless a preference applies, while several major competitors benefit from preferential access through EU agreements, including the United Kingdom (UK; 8.5%) and Switzerland (21.5%). Before the deal, India faced a tariff disadvantage against these already preferred suppliers, while still having to meet the same non-tariff requirements, especially Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) compliance, and remaining exposed to EU trade defence measures on specific product lines. The agreement improves India's price position, but scaling market share will hinge on execution that EU buyers can contract around, particularly REACH registration readiness, EU-compliant hazard documentation, and a shift toward higher-spec specialty and intermediate products, while managing trade-defence exposure in sensitive lines.

2. Engineering Goods

- a. EU imports: \$1,031.29bn
- b. India: \$28.59bn / 2.8%
- c. HSN codes: 72-89
- d. China (33.8%) and the USA (11.7%) largely ship under MFN/CCT treatment on a product code basis unless a preference applies, while several competitors benefit from preferential access. The UK (6.8%) has zero tariffs and zero quotas under the EU-UK Trade and Cooperation Agreement (TCA) when rules of origin are met, Türkiye (5.5%) benefits from the EU-Türkiye Customs Union for covered goods, and Korea (4.6%), Japan (4.5%), Vietnam (3.4%) and Switzerland (2.9%) export under EU agreements that remove most duties for originating products. The new deal improves India's bid competitiveness in EU supply chains, particularly in price-sensitive tenders, by narrowing the tariff gap with preferential suppliers and improving margins relative to MFN exporters. The extent of market-share gains, however, will depend on whether Indian firms can match China's delivered-cost efficiency while scaling technology intensity and consistency, which is where domestic manufacturing initiatives such as Make in India and the Production-Linked Incentive (PLI) scheme can support capacity and productivity improvements. For carbon-intensive product lines, CBAM related costs may still influence landed prices and sourcing decisions.

3. Gems & Jewellery

- a. EU imports: \$45.16bn
- b. India: \$2.67bn / 5.9%
- c. HSN code: 71
- d. The market is led by Switzerland (32.0%), which benefits from EU-Swiss preferential arrangements, while other competitors also enjoy advantages through EU frameworks, including South Africa (9.6%) under the EU's Southern Africa trade architecture, the UK (6.8%) via the EU-UK TCA, and Canada (3.6%) via the Canada-European Union Comprehensive Economic and Trade Agreement (CETA). In contrast, several suppliers rely mainly on MFN unless a preference applies, including the USA (9.4%) and China (4.8%). Before the deal, India faced a disadvantage because even low duties can matter in price sensitive segments, and preferential access often depends on rules of origin and documentation. The new deal reduces residual tariff friction, improves margins relative to MFN suppliers, and supports scale up in a high value EU market. Going forward, the binding constraint shifts from tariffs to execution, with consistent compliance, traceability, and delivery reliability becoming decisive. This matters even more in an environment of rising gold prices, which tightens working capital, increases inventory risk, and makes pricing and delivery discipline more critical for retaining EU buyers. Firms that can meet audit requirements, manage gold price volatility through robust procurement and hedging practices, shorten lead times, and deliver stable quality are more likely to convert the tariff advantage into longer-term contracts and deeper participation in EU supply chains. Over time, this can shift

India's positioning from opportunistic sales to embedded supplier relationships, where market share gains are more resilient to commodity price cycles.

4. Home Décor / Wooden Crafts / Furniture

a. EU imports: \$47.42bn
 b. India: \$0.876bn / 1.9%
 c. HSN code: 44, 46, 94
 d. The sector is dominated by China (53.6%), which typically exports under MFN treatment, while several competitors benefit from EU arrangements. Türkiye (5.4%) has Customs Union advantages for covered goods, Ukraine (4.5%) operates under EU trade arrangements including temporary measures in recent years, the UK (4.3%) has the EU-UK TCA, Vietnam (2.9%) benefits from European Union–Vietnam Free Trade Agreement (EVFTA) tariff reductions, Norway (2.5%) exports under the European Economic Area (EEA) framework, and Serbia (2.3%) and Bosnia and Herzegovina (2.0%) benefit from EU Stabilisation and Association Agreements (SAA). Before the deal, India faced tariff headwinds on some lines along with EU product and technical compliance costs, while competing against already preferred suppliers. The new deal can improve India's price competitiveness, but gains will depend on which product lines receive the largest cuts and how effectively firms manage compliance and logistics against China and other neighbouring countries.

5. Leather & Footwear

- a. EU imports: \$38.22bn
- b. India: \$2.51bn / 6.6%
- c. HSN code: 41, 42, 64
- d. China (40.7%) typically exports under MFN treatment, while key competitors benefit from preferential pathways. Vietnam (19.6%) benefits from EVFTA tariff elimination schedules. Before the deal, India faced EU duties while a major rival, Vietnam, was moving toward zero tariffs, and it also had to meet strict chemicals compliance, including REACH chromium (VI) restrictions relevant to leather articles. The new deal commits to cutting EU tariffs from up to 17.0% to zero across all tariff lines at entry into force. This tariff reset improves India's landed price versus MFN suppliers and closes the gap with EVFTA and other preferential competitors, especially in mass footwear. However, scaling up will hinge on product upgrading and compliance-driven execution, not volume alone, because Vietnam and China remain strong on design capability, quality consistency, and cost-efficient production.

6. Marine Products

- a. EU imports: \$32.10bn
- b. India: \$0.914bn / 2.9%
- c. HSN code: 03, 16
- d. Norway (27.7%) and Iceland (4.3%) trade fish with the EU under EEA linked arrangements, where concessions and quotas vary by product; Ecuador (6.3%) and Vietnam (2.8%) benefit from EU trade

agreements that can lower duties, and the UK (6.1%) has the EU-UK TCA. India's pre-deal hurdle was that tariffs can be high on key lines and non-tariff controls are strict, especially Illegal, Unreported and Unregulated (IUU) catch certificate requirements and SPS and health controls, which are major costs of entry. The new deal can lift India's margins on affected products, but scaling still depends on traceability and compliance and the product mix, including shrimp versus higher value-added exports.

7. Medical Instruments / Supplies

- a. EU imports: \$97.16bn
- b. India: \$1.02bn / 1.1%
- c. HSN code: 90
- d. The market is led by the USA (31.1%) and China (16.7%), while Switzerland (9.6%) and the UK (7.2%) benefit from preferential frameworks, and Japan (6.7%) and Singapore (2.8%) export under EU agreements that remove most duties for originating goods. India's main pre-deal constraint was not only tariffs but regulation: the EU's Medical Devices Regulation imposes strict obligations on non-EU manufacturers and importers, including documentation, conformity assessment, and importer responsibilities. Tariff savings improve price competitiveness, but sustained growth depends on compliance execution, especially robust quality systems and EU Medical Devices Regulation readiness; without this, market access gains will be limited.

8. Mines & Minerals

- a. EU imports: \$539.20bn
- b. India: \$7.86bn / 1.5%
- c. HSN code: 25-27
- d. Supply is diversified, led by the USA (15.8%), Norway (10.2%), Kazakhstan (6.3%), Algeria (5.9%), Saudi Arabia (5.6%) and the UK (5.8%), and market access varies by product and policy. Some partners have preferential channels for many goods. Before the deal, India faced tariff frictions on specific mineral lines and rising EU climate-linked costs for carbon-intensive downstream products, especially as the CBAM enters its definitive phase from 1 Jan 2026. The new deal commits zero duty across 100.0% of tariff lines for this sector framing, improving India's competitiveness in value-added mineral exports. Converting this preference into market share will depend on delivered cost and execution, including freight economics, port handling, transit times, and documentation quality, as well as targeting member-state demand pockets. For instance, the Netherlands often functions as a major entry and distribution gateway for extra-EU imports via Rotterdam, making logistics partnerships and routing strategy commercially decisive. Energy-intensive markets such as Germany, Italy, and France place a premium on consistent, contractable supply and compliance documentation, given their large inland demand.

9. Plastics & Rubber

- a. EU imports 2024: \$89.94bn
- b. India: \$2.67bn / 3.0%
- c. HSN code: 39, 40
- d. China (25.1%) and the USA (13.5%) largely ship under MFN/CCT, while several competitors benefit from preferential access, including the UK (9.2%) via TCA, Türkiye (7.7%) via the Customs Union, and Korea (7.0%), Japan (3.8%), and Switzerland (4.9%) via EU agreements that eliminate most duties for originating goods. Before the deal, India faced a tariff disadvantage versus these preferential suppliers and heavy compliance burdens, especially REACH and, for some goods, food contact rules. The new deal treats plastics and rubber within key labour intensive sectors that will move to zero duty from entry into force, narrowing the tariff gap; the binding constraints now are EU compliance execution and product positioning, such as supplying specialty polymers, engineered compounds, and certified materials for packaging and automotive uses, where approval cycles and consistency matter as much as price.

(12.1%) under Customs Union coverage for covered goods, Pakistan (5.4%) under Generalised Scheme of Preferences Plus (GSP+) where the EU notes that 85.0% or more of Pakistan's exports enter duty and quota free. China (30.0%) is largely MFN. Before the deal, India faced a EU labelling and chemicals compliance requirements, including textile labelling rules and REACH linked restrictions. The new deal commits zero duty access covering all tariff lines, cutting tariffs by up to 12.0%, which directly neutralises rivals' tariff edge and allows India to compete on scale, lead times, and compliance, especially in apparel and home textiles. A meaningful scale-up could be enabled by recent GST rationalisation measures that have eased inverted duty structure pressures across parts of the textile value chain, improving working-capital efficiency and reducing tax-related cost frictions. Combined with export support such as the Rebate of State and Central Levies and Taxes (RoSCTL) scheme, these changes strengthen liquidity and margin headroom for exporters, creating room to invest in compliance, faster turnaround times, and capacity expansion to capture larger EU orders.

10. Textiles & Clothing

- a. EU imports 2024: \$127.43bn
- b. India: \$7.36bn / 5.8%
- c. HSN code: 50-63
- d. Key competitors have strong preference advantages, including Bangladesh (15.9%) under Everything but Arms (EBA) duty free and quota free access, Türkiye



Negotiating Better Terms

This deal is monumental not only in scale, but also in the depth of its deliverables and the credibility of its commitments. It signals confidence and long-term cooperation between two major economic powers. The question, however, is what this implies for India's engagement with another key trading partner, the United States (US). By demonstrating India's willingness and ability to conclude a high-standard agreement with a major market, the EU deal strengthens India's negotiating position and can serve as a platform to pursue a fair, timely, and commercially meaningful trade arrangement with the US. In FY25, India exported roughly \$86.5bn of goods to the US, about \$10.6bn more than to the European Union, underscoring the US's importance as a leading market for Indian exports.

- **Higher credibility:** India has demonstrated it can undertake deep, rules-based commitments, shifting any US negotiation toward reciprocity rather than unilateral "reform" asks.
- **Clear benchmarks:** The EU package sets a reference point for what India is prepared to offer, allowing India to insist that US concessions must be comparable in value and certainty.
- **Greater value in supply chains:** Deeper integration with European value chains strengthens India's appeal as a "China+1" base for US firms, improving India's leverage on investment, technology, and trusted sourcing.
- **Competitive pressure on U.S. exporters:** As EU firms gain tariff advantages in India, US

exporters face relative disadvantage, creating incentives for Washington to offer more meaningful access to stay competitive.

- **Climate-trade preparedness:** Cooperation on carbon-related trade frictions strengthens India's position if the US advances climate-linked trade measures, helping India negotiate from a more prepared baseline.
- **Time pressure on the U.S.:** Dun & Bradstreet data shows that Europe focused inquiries toward Indian firms rose sharply ahead of the FTA, indicating that supply-chain repositioning and investment scouting is already underway. India can leverage this momentum to press the US for faster, more concrete deliverables on investment facilitation, trusted sourcing partnerships, and technology collaboration, so US firms are not late entrants and can secure a meaningful foothold in Indian supply networks.



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