

THE INDIA-EU FTA: A NEW ARCHITECTURE FOR TRADE, INVESTMENT, AND SUPPLY CHAINS



FEBRUARY 2026

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INTRODUCTION



India and the European Union (EU) on Tuesday, 27th January 2026, announced the successful conclusion of negotiations for a historic free trade pact at the 16th India-EU Summit, opening up markets to each other in an uncertain global trade landscape. It has been dubbed as the “mother of all deals”. This is India’s largest FTA, in both economic size and regulatory scope, and will give India preferential access to all 27 EU countries under a single framework. It is an important milestone in one of India’s most strategic economic partnerships. With a combined market estimated at over USD 24 trillion, the FTA presents unparalleled opportunities for the 2 billion people of India and the EU, unlocking significant potential for trade and innovation.

The European Council President, Mr. Antonio Costa, described the agreement as the EU reasserting itself in a multipolar world. He further said that the deal not only provided predictability for businesses and investors but also security in an uncertain world. In an interview with Euronews, Mr. Costa added, *"The deal has great value from an economic view, but perhaps more important is the message that the two largest democracies in the world are sending to the international community,"* he said. *"It's important, it's essential to provide predictability to engage in cooperation instead of confrontation."*

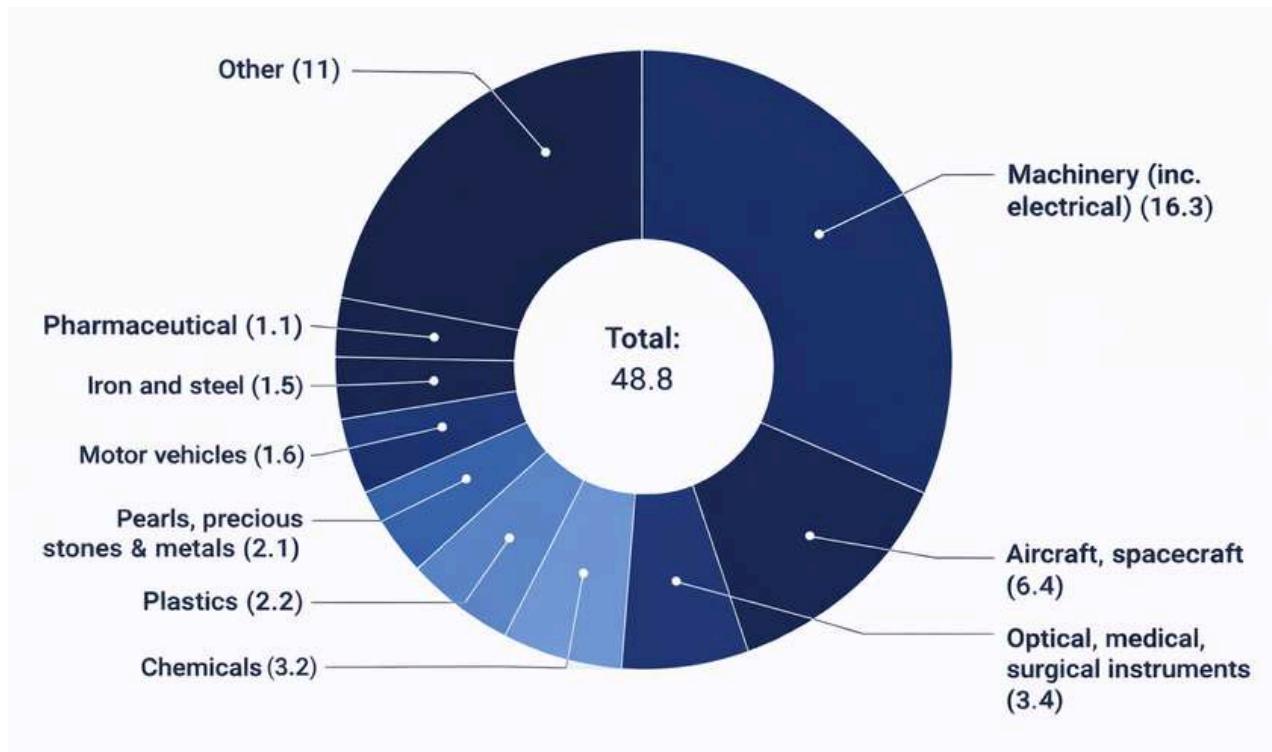
Alongside the FTA, India and the EU exchanged several agreements and memoranda of understanding covering security, defence, mobility, green hydrogen, disaster risk management, and financial regulation. The two sides also adopted a joint document titled “Towards 2030 - A Joint India-European Comprehensive Strategic Agenda.”

Bilateral merchandise trade between India and the EU has demonstrated sustained growth, valued approximately at USD 136.54 billion in 2024-25, with India exporting roughly INR USD 75.85 billion to the EU. India-EU trade in services reached USD 83.10 billion in 2024.

The FTA connects India, the world's fourth-largest economy, with the EU, the second-largest, together representing 25% of global GDP and one-third of global trade. This creates a massive economic bloc, offering India strategic weight and deep integration with a leading technology superpower.

Indian engineers, IT professionals, doctors, and even traditional medicine experts can find it easier to work short-term in Europe. For instance, the agreement allows Intra-Corporate Transferees (ICTs) and Contractual Service Suppliers (CSS) to move between India and EU member countries in dozens of sectors, from software to R&D to education. In fact, the FTA explicitly expands IT and IT-enabled services, professional services, education, and research sectors. So, in practice, an Indian IT consultant on an EU project or an engineer sent to a German factory will face fewer visa hurdles. Students and young professionals stand to gain, too. The deal includes a framework for student mobility and post-study work.

On a weighted average basis, the tariff levied by India on products imported from the EU stands at about 9.6%, while the same on Indian goods in EU is around 3.6%. Once the FTA takes effect, India will bring nearly 96% of EU goods to zero tariff, while the EU will eliminate duties on about 98% of Indian goods.



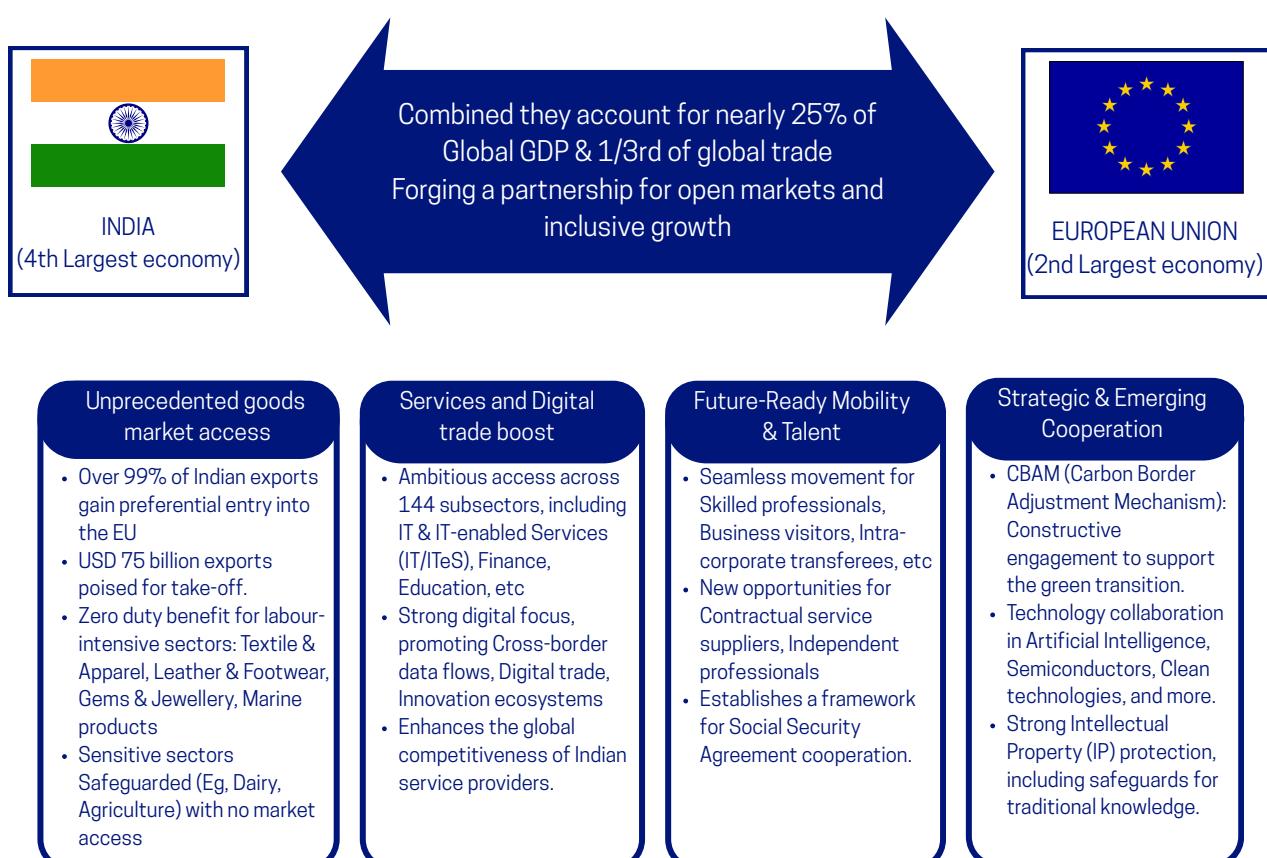
EU EXPORTS TO INDIA 2024 (Bn €)

Both countries, however, kept sensitive agricultural products out of the Free Trade Agreement (FTA), billed as the 'mother of all trade deals' for its scale, scope and strategic weight. India, for example, has shielded dairy, cereals, poultry, soymeal, certain fruits and vegetables. At the same time, the EU has protected beef, sugar, rice, chicken meat, milk powder, honey, bananas and soft wheat, on which current tariffs will be maintained. India will, however, get better EU market access for its tea, coffee, spices and processed food, while opening up the domestic market for EU spirits, wine and olive oil.

The EU has kept its carbon border tax system out of the scope of the trade deal. The external affairs ministry said in a note that the FTA opens the way for "constructive engagement" on the subject. The deal also covers a mobility framework easing entry for employees of Indian companies in the EU, Indian professionals serving EU clients and for Indian students to study in the EU and avail of post-study work visas. From India's perspective, the agreement delivers unprecedented market access, with over 99% of Indian exports by trade value set to receive preferential or duty-free entry into the EU market.

From the EU's perspective, the agreement delivers sweeping tariff cuts across nearly all major export sectors. India will eliminate or sharply reduce tariffs on over 90% of EU goods exports, covering 96.6% of trade value, a move expected to double EU exports to India over time and save European exporters up to €4 billion annually in duties.

From India's perspective, the FTA will promote India's engineering exports and help employment-generating sectors like textiles, leather, footwear, marine, sports goods, toys, and gems and jewellery, which will gain enhanced competitiveness through tariff elimination, supporting employment generation and EU market integration. In services, Indian professionals will get greater mobility within the EU in a wide range of sectors.



HIGHLIGHTS:

- The largest trade agreement that both the EU and India have ever concluded.
- A market of 2 billion people and close to a quarter of global GDP.
- Cutting over 90% of tariffs expected to double annual EU exports to India.
- Upholding European standards and promote sustainable trade.
- Tariffs on 96.6% of EU goods exports will be eliminated or reduced.
- Saving up to €4 billion per year in duties on European products.
- Competitive advantage for EU exporters, with biggest trade opening India has given to any trade partner.
- Privileged access to Indian services market in key sectors e.g. financial services and maritime transport.
- Student mobility and temporary entry commitments for professionals and business visitors, together with work rights for dependents.
- Simplification of customs procedures to make exports quicker and easier.
- Protection of EU intellectual property such as trademarks.
- A dedicated chapter for small EU businesses.



KEY ELEMENTS

Below are some key elements for EU exports to India:

Product	Current tariffs	Future Tariffs
Machinery and electrical equipment	Up to 44%	0% for almost all products
Aircraft and spacecraft	Up to 11%	0% for almost all products
Optical, medical and surgical equipment	Up to 27.5%	0% for 90% of the products
Plastics	Up to 16.5%	0% for almost all products
Pearls, precious stones and metals	Up to 22.5%	0% for 20% of the products and tariff reduction for another 36% of the products
Chemicals	Up to 22%	0% for almost all products
Motor vehicles	110%	10% (quota of 250k)
Iron and steel	Up to 22%	0% for almost all products
Pharmaceuticals	11%	0% for almost all products
Wine	150%	20% (premium range); 30% (medium range)
Spirits	Up to 150%	40%
Beer	110%	50%
Olive Oil, margarine and other vegetable oils	Up to 45%	0%
Kiwis and pears	33%	10% in-quota
Fruit juices and non-alcoholic beer	Up to 55%	0%
Processed food (breads, pastries, biscuits, pasta, chocolate, pet food)	Up to 50%	0%
Sheep meat	33%	0%
Sausages and other meat preparations	Up to 110%	50%

SIGNIFICANCE

WHAT IS EU OFFERING INDIA?

Under the FTA, India will gain preferential access to European markets for 97% of tariff lines, representing 99.5% of its trade value. Around 90.7% of India's exports will benefit from immediate duty elimination in key labour-intensive sectors such as textiles, leather and footwear, tea, coffee, spices, sports goods, toys, gems and jewellery, and certain marine products, according to a statement by the Ministry of Commerce.

Nearly 2.9% of Indian exports will gain zero-duty access within 3 to 5 years for specific marine products, processed foods, arms, and ammunition, among others. Additionally, 6% of goods will receive preferential access through tariff reductions, covering certain poultry, preserved vegetables, bakery items, and other products.

Around 33 billion in exports currently subject to import duties of 4% to 26% in the EU will enter duty-free from the entry into force of the FTA and thus gain enhanced competitiveness in the EU market.

WHAT IS INDIA OFFERING THE EU?

India provides access to 92.1% of its tariff lines, accounting for 97.5% of EU exports. Nearly half of these lines, 49.6%, will have their duties eliminated immediately, while 39.5% will undergo phased eliminations over 5, 7, and 10 years. Additionally, 3% of products are set for phased tariff reductions, with some items, such as apples, pears, peaches, and kiwi fruit, subject to trade rate quotas (TRQs).

The India-EU Fta, described as the “mother of all deals” by both leaders, is the largest-ever deal concluded by both sides. “It (FTA) will strengthen economic and political ties between the world's second and fourth largest economies, at a time of rising geopolitical tensions and global economic challenges, highlighting their joint commitment to economic openness and rules-based trade,” the official statement read.

The announced FTA is expected to double EU exports to India in six years by cutting tariffs on 96.6% of traded goods by value, and will save 4 billion euros (\$4.75 billion) in duties for European companies, the EU said.

WHAT ARE THE NEXT STEPS FOR THE DEAL TO BECOME EFFECTIVE?

The proposed agreement could take effect early next year. The FTA negotiations began in 2007 and were concluded after 18 years. According to the EU statement, the following steps will be taken for the deal to come into force:

- Publish negotiated draft texts
- Legal revision and translation into all official EU languages
- Propose the agreement to the Council for signature and conclusion
- Adoption by the Council
- Signing of the agreement between the EU and India
- European Parliament's agreement to the deal
- The Council's decision on concluding the deal (essentially allowing it to come into force)
- After India ratifies the agreement, the deal can come into force.

OTHER PROMINENT AGREEMENTS AT THE 16TH EU-INDIA SUMMIT

The 16th EU-India Summit, held in New Delhi on 27 January, went beyond trade and the FTA. It was a summit that emphasised the EU-India Strategic Partnership, opening a new chapter in cooperation across trade, security, innovation, mobility, and sustainability. The Summit underlined the shared ambition of the European Union and India to shape one of the most consequential partnerships of the 21st century.

Alongside trade, leaders signed the EU-India Security and Defence Partnership, establishing a framework for closer cooperation on maritime security, counterterrorism, cyber and hybrid threats, space, and non-proliferation. The partnership also aims to enhance defence industrial cooperation and align defence initiatives between the EU and India. In parallel, negotiations were launched on a Security of Information Agreement, paving the way for the structured exchange of classified information and deeper participation of India in EU security and defence initiatives.

Research, innovation, and technology cooperation featured prominently at the Summit. Leaders agreed to create EU-India Innovation Hubs, launch an EU-India Startup Partnership, and renew the EU-India Agreement for Scientific and Technological Cooperation until 2030. Importantly, exploratory talks were initiated on the possible association of India to Horizon Europe, the EU's flagship research and innovation programme, signalling new opportunities for collaborative research.

Mobility and skills development also received renewed attention. The adoption of an EU-India Comprehensive Framework of Cooperation on Mobility, alongside the FTA, aims to facilitate labour mobility, support skills and qualification recognition, and promote research and innovation exchanges. This framework will be supported by a European Legal Gateway Office in India, designed to guide Indian workers, students, and researchers towards opportunities in Europe, beginning with the ICT sector.

The Summit further endorsed the “Towards 2030: EU-India Joint Comprehensive Strategic Agenda”, guiding cooperation across prosperity and sustainability, technology, security, connectivity, global challenges, and people-to-people links. Leaders reaffirmed their commitment to the Paris Agreement, advanced cooperation on clean energy and circular economy, and announced the launch of a Green Hydrogen Task Force under the EU-India Clean Energy and Climate Partnership.

Connectivity and global engagement were also strengthened through initiatives such as Global Gateway Green Shipping Corridors and Hubs, with a regional workshop planned in India in 2026, and enhanced trilateral cooperation in third countries across Africa, Latin America, the Caribbean, Asia, and the Pacific.

CONCLUSION

With this agreement, the EU becomes India's 22nd FTA partner, and officials said the India-EU deal, along with FTAs with the UK and EFTA, effectively opens up the entire European market for Indian businesses and vice versa. The agreement will now undergo legal vetting and ratification before being signed and entering into force, after which it is expected to reshape India's trade engagement with Europe and reinforce its position as a trusted, forward-looking global partner.

The FTA, described as "the mother of all deals", seeks to "strengthen economic and political ties between the world's second and fourth largest economies, at a time of rising geopolitical tensions and global economic challenges, highlighting their joint commitment to economic openness and rules-based trade," according to the official statement issued jointly by both countries.



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