



# India–EU Free Trade Agreement

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# Executive Summary

India and the EU together account for approximately 25% of the global GDP, with bilateral goods trade exceeding €110.3 billion and services trade doubling to €60 billion, reflecting deepening structural interdependence. With over €140 billion, the EU FDI stock and approximately 6,000 European firms operating in India, this corridor is driving technology transfer, productivity gains, and global value chain integration. It enables integration of Indian SMEs into global supply networks and enabling productivity spillovers across sectors.

The India–EU Free Trade Agreement negotiation concluded in January 2026 after nearly a decade of interrupted negotiations. It's widely regarded as the 'Mother of all Deals' and is among the most significant trade deal India has signed with any major economic bloc. Pending ratification by the EU member states and the Indian Parliament before entry into force, the FTA targets tariff elimination on approximately 96% of trade, unlocking an estimated €4 billion annual duty savings and significantly reducing transaction costs across sectors.

India is transitioning toward mid-to-high value manufacturing and services, while the EU continues to supply capital-intensive goods and advanced technologies, reinforcing complementary trade dynamics. With services accounting for over 40% of India's exports, the agreement emphasises cross-border delivery and talent deployment. Structured mobility frameworks for Intra-Corporate Transferees (ICTs), Contractual Service Suppliers (CSS), and Independent Professionals (IPs), along with removal of economic needs tests across committed sectors, are expected to ease talent movement and enhance cross-border delivery. While the FTA ensures market access and FDI facilitation, investor protection (IPA) remains under negotiation, creating a temporary gap in dispute resolution certainty.

From automobiles (110%→10%) to machinery (up to 44%→0%), and wine (150%→~20–30%), tariff cuts are reshaping competitiveness across industries and countries. On the European side, industrial machinery, specialty chemicals, premium food and beverages, and life sciences stand out, while for India, textiles, pharmaceuticals, and IT and professional services offer significant export upside. The FTA fundamentally impacts supply chains, customs valuation, pricing strategies, and tariff structures, making operational redesign critical for capturing benefits.

On trade facilitation, the emphasis on digital processing, risk-based controls, Authorised Economic Operator (AEO) frameworks, and advance rulings enhances predictability. However, this depends heavily on on-ground implementation in both jurisdictions.

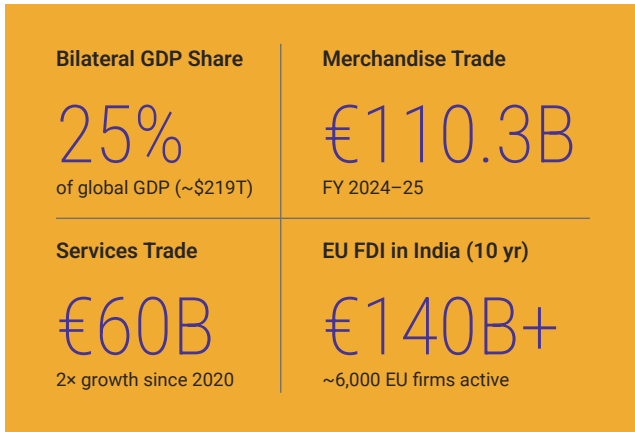
Regulatory regimes such as Sanitary and Phytosanitary Measures (SPS), Technical Barriers to Trade (TBT), General Data Protection Regulation (GDPR), Carbon Border Adjustment Mechanism (CBAM), and India's Quality Control Orders (QCOs) will continue to shape real market access, often outweighing tariff advantages. Preferential benefits remain entirely conditional on origin compliance, making supply chain restructuring and documentation critical for eligibility. Many existing supply chains in textiles and engineering are unlikely to meet the double-transformation and in-tariff-classification tests without a deliberate redesign.

On balance, the FTA offers clear opportunities — market access, cost efficiencies, supply chain diversification, and services expansion — but these must be weighed against material risks. These include the CBAM costs (Indian blast-furnace steel faces €40–60/tonne in additional carbon charges, sufficient to eliminate the FTA duty saving entirely), the EU regulatory burden of Corporate Sustainability Due Diligence Directive (CSDDD) and European Union Deforestation Regulation (EUDR), India's Production Linked Incentive (PLI) driven domestic competition, and the potential deployment of safeguard measures. Firms that treat EU compliance infrastructure, such as ILO/SA8000, Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH) registration, and EUDR due diligence, as a strategic investment rather than an administrative cost will emerge as the preferred partners.

The FTA's value lies not in tariff savings alone, but in strategic execution — aligning supply chains, ensuring compliance, leveraging origin rules, and navigating regulatory complexity to unlock long-term competitive advantage.



# India–EU Trade Relationship: The Big Picture

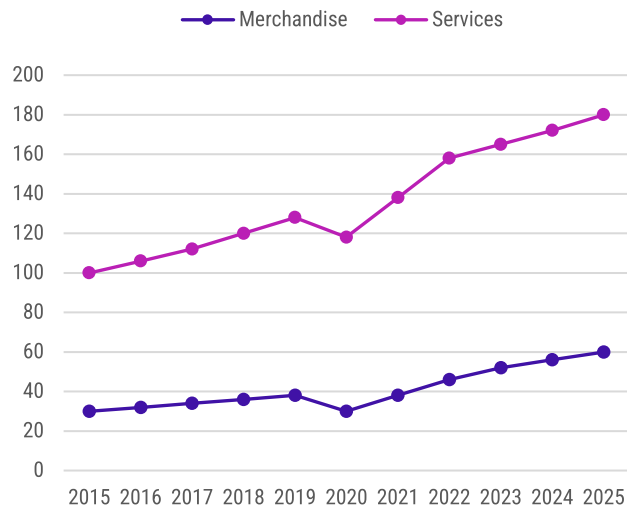


India and the EU collectively account for **25% of global GDP (~\$219 trillion)**, making this one of the most significant bilateral corridors in the global economy. The partnership is structurally complementary: a high-growth, labour-abundant emerging market paired with a capital-rich, and technology-intensive advanced bloc.

**Trade at a glance (FY 2024–25)** Bilateral merchandise trade reached **€110.3 billion**, with India directing approximately 17% of its total exports to the EU, increasingly in chemicals, textiles, and engineering goods. On the other hand, the EU exports to India (~9% of its total) are dominated by machinery and advanced transport equipment. In services, the corridor has doubled from €30B (2020) to **€60B**, driven by India's IT/BPO exports and the EU financial and logistics services flowing the other way.

## Bilateral trade growth

10-year trajectory (All values in EUR Million)



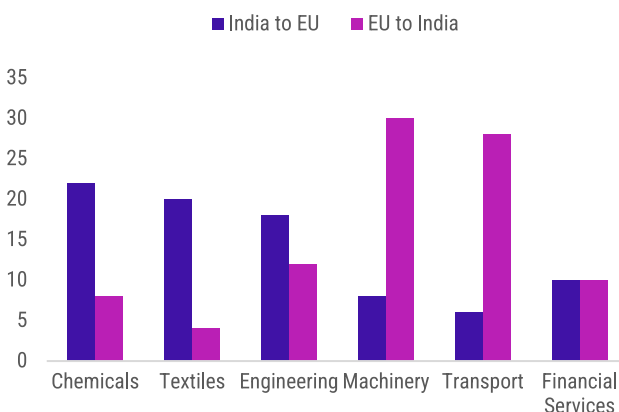
**Capital and investment** Over the past decade, total bilateral trade has grown to approximately **€180 billion**, with the EU FDI in India exceeding **€140 billion**. Roughly **6,000 European firms** operate in India, generating significant productivity spillovers for domestic manufacturers and pulling Indian SMEs into global value chains. Firms like Siemens, Bosch, BASF, Airbus, and Volkswagen use India as both a consumption market and an export platform.

## The 2026 FTA: A structural shift

The India–EU Free Trade Agreement (concluded January 2026) targets elimination of tariffs on **over 96% of imports by value**. Economists project this could **double the EU commodity exports to India by 2032** while lowering input costs for Indian manufacturers. The next phase moves beyond tariffs – into green technology, digital economy standards, and supply-chain resilience.

## Trade composition

India exports to EU vs EU exports to India (All values in EUR Million)



## 2026 FTA: Key impact projections

Tariff elimination coverage



## EU commodity export uplift (by 2032)



## FTA unlocks – next-phase themes



Green Tech



Digital Economy Standards



Supply Chain Resilience



Regulatory Harmonisation



Capital Goods Access

India's export share to EU

~17%

Shifting to mid-to-high-value manufactures

EU's export share to India

~9%

Dominated by machinery & transport equipment

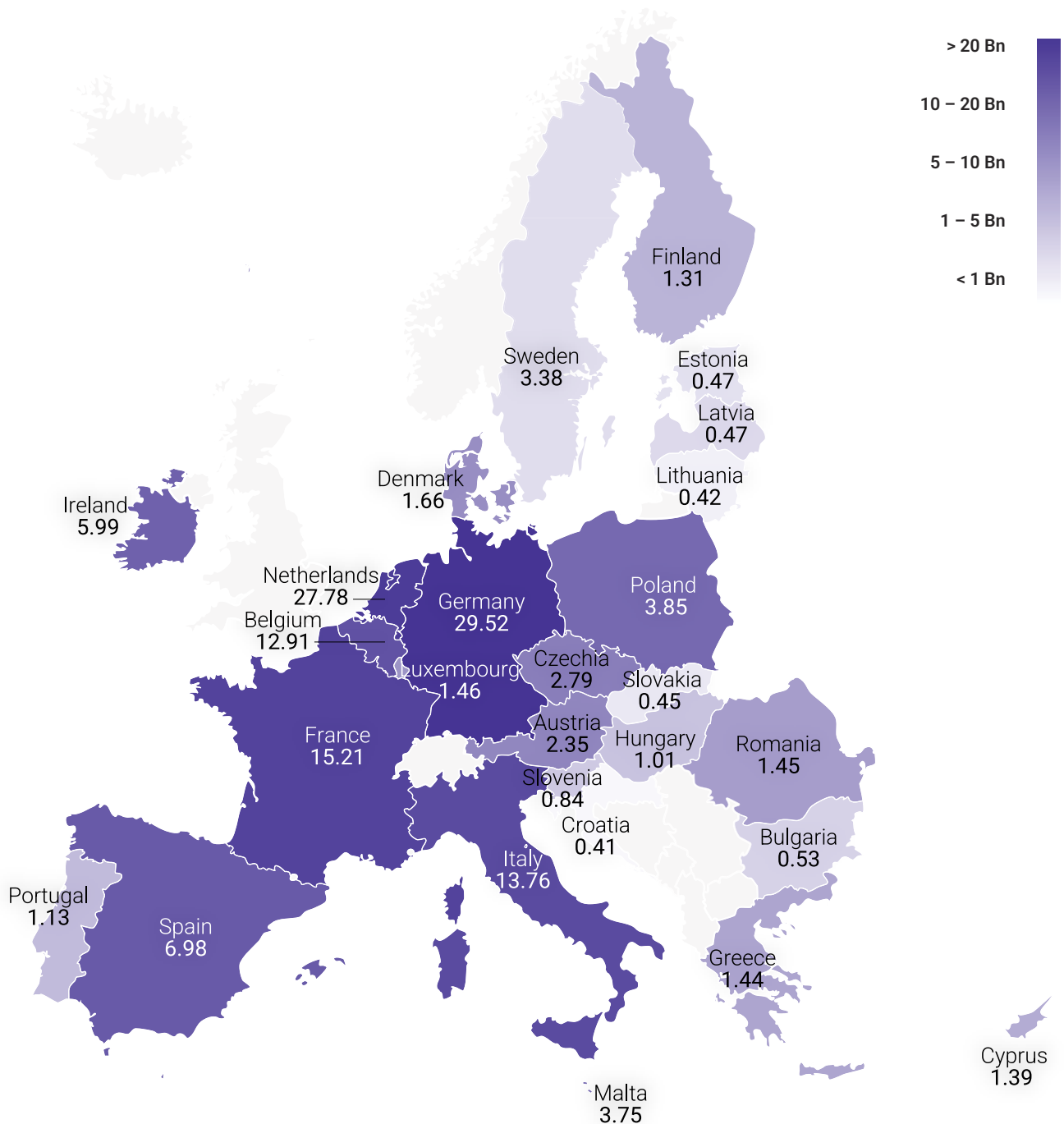




# What's in it for the 27 EU states?

The India–EU FTA presents a significant opportunity for all 27 member states, offering access to wider markets, diversified supply chains, and a front-row seat to Asia's next growth cycle. Reducing over-reliance on any single region is a prudent strategic imperative, and the FTA provides a structured pathway to do so. The resulting gains in employment, innovation, and exports reflect not merely optimism, but a well-considered strategy with tangible momentum.

## Partner Countries by Trade Volume (Est. USD Bn 2024-25)



Rank	Country	Prominent Sectors
1	Germany	Automotive & EVs, Industrial machinery, Green hydrogen, Chemicals, Engineering & R&D Services
2	Netherlands	Agri-tech, Semiconductor equipment, Maritime & Logistics Services, Offshore wind
3	France	Aerospace, Luxury goods, Nuclear & renewables, Agri-food, Digital & AI
4	Italy	Fashion & textiles, Machinery, Food processing, Auto components, Renewable tech
5	Belgium	Pharmaceuticals, Chemicals, Logistics, Diamonds, Food & beverages
6	Spain	Renewable energy, Automotive, Agri-food, Infrastructure
7	Ireland	IT services, Pharmaceuticals, FinTech & SaaS, Medtech
8	Poland	Manufacturing, IT services, BPO, Logistics, Defense
9	Malta	Financial services, Maritime, Pharmaceuticals
10	Sweden	Clean tech, EVs & batteries, Telecom, Life sciences
11	Czechia	Automotive, Machinery, Electronics, Aerospace, IT services
12	Austria	Machinery, Green construction, Rail systems, Environmental tech
13	Denmark	Wind energy, Pharmaceuticals, Maritime, Food tech, Design
14	Luxembourg	Financial services, Investment funds, Space tech, Logistics, Green finance
15	Romania	IT services, Automotive, Energy, Agriculture, Textiles
16	Greece	Shipping, Renewable energy, Agri-food, Logistics
17	Cyprus	Financial services, Shipping, Real estate, Energy
18	Finland	Telecom, Bioeconomy, Clean energy, Digital tech, Mining
19	Portugal	Textiles, Renewable energy, Auto components, IT
20	Hungary	Automotive, EV batteries, Electronics, Pharma, Food processing
21	Slovenia	Auto components, Pharmaceuticals, Green tech, Logistics, Manufacturing
22	Bulgaria	IT services, Manufacturing, Energy, Agriculture, Logistics
23	Latvia	Logistics, Wood processing, IT services, Food processing, Fintech
24	Estonia	Digital gov, SaaS startups, Fintech, Green tech
25	Slovakia	Automotive, Electronics, Engineering, Energy, Logistics
26	Lithuania	Fintech, Laser tech, Manufacturing, Logistics, IT
27	Croatia	Shipbuilding, Food processing, Renewable energy, IT



# Key FTA Provisions & Overall Benefits

## Overall Tariff Considerations

The agreement is described as the largest trade agreement negotiated between both countries, covering a market of two billion people and close to a quarter of the global GDP.

A key commercial outcome is the elimination or reduction of tariffs on 96.6% of the EU goods exports, generating estimated annual duty savings of up to €4 billion. This represents one of the most extensive markets opening India has granted to any trading partner, providing the EU exporters a distinct competitive advantage.

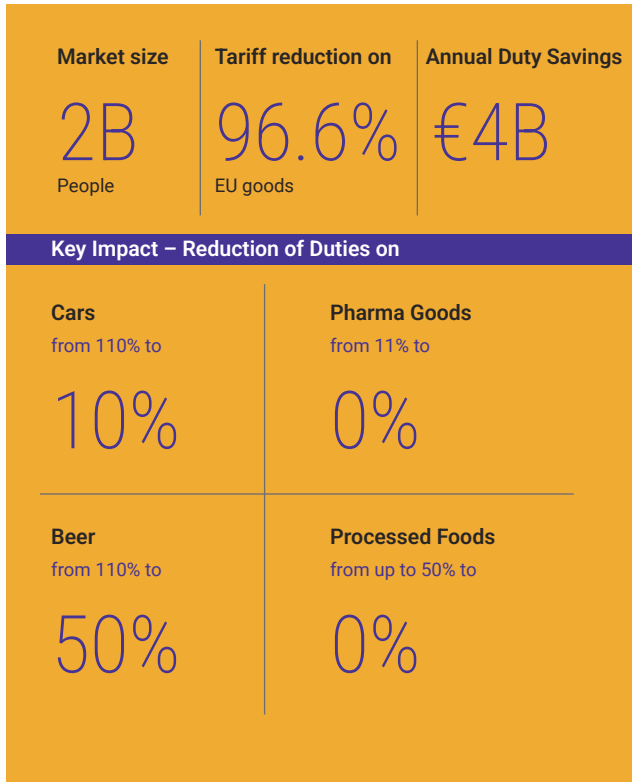
The combined market size and the share of the global GDP appropriately signal the systemic relevance of the India–EU FTA within the global trading system.

From a tariff perspective, the agreement impact goes beyond tariff liberalisation. It is set to reshape customs, supply chain, and pricing dynamics. While tariff reductions are commercially significant, their real impact will depend on how effectively businesses reconfigure sourcing, manufacturing, and distribution models to leverage preferential access.

India will grant the EU tariff reductions that none of its other trading partners have received, dramatically improving market access for the EU exports. For example, tariffs on cars will gradually go down from 110% to 10% with a quota of 250,000 vehicles a year. High tariffs of up to 44% on machinery, 22% on chemicals and 11% on pharmaceuticals will be mostly eliminated.

### Examples for the EU industrial sectors that will benefit

Products	2024 exports (EUR)	Current Tariffs	Future Tariffs
Machinery and electrical equipments	€16.3 billion	Up to 44%	0% for almost all products
Aircraft and spacecraft	€6.4 billion	Up to 11%	0% for almost all products
Optical, medical and surgical equipment	€3.4 billion	Up to 27.5%	0% for 90% of the products
Plastics	€2.2 billion	Up to 16.5%	0% for almost all products
Pearls, precious stones and metals	€2.1 billion	Up to 22.5%	0% for 20% of the products and tariff reduction for another 36% of the products
Chemicals	€3.2 billion	Up to 22%	0% for almost all products
Motor vehicles	€1.6 billion	110%	10% (quota of 250k)
Iron and steel	€1.5 billion	Up to 22%	0% for almost all products
Pharmaceuticals	€1.1 billion	11%	0% for almost all products



The agreement removes or reduces often prohibitive tariffs (over 36% on average) on the EU exports of agri-food products, opening a massive market to the European farmers. However, sensitive European agricultural sectors such as beef, sugar or rice will remain excluded from liberalisation.

#### Examples for the EU agri-food sectors that will benefit

Products	Current Tariffs	Future Tariffs
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%

The broader takeaway is a structural reduction in landed cost, which directly impacts customs valuation, pricing strategies, and margin structures

These provisions should be assessed alongside India's domestic industrial policies, particularly the Production Linked Incentive (PLI) schemes and broader manufacturing promotion initiatives. In sectors where the government is actively encouraging domestic production such as electronics, automobiles, specialty chemicals and renewable energy equipment, tariff liberalisation could create significant competitive pressure on domestic manufacturers.

The proposed India–EU Free Trade Agreement marks a significant step towards deepening one of the world's largest bilateral economic partnerships, with the India–EU trade in goods already exceeding €120 billion annually. Beyond its emphasis on sustainable and inclusive trade, the FTA seeks to strengthen environmental and climate protections, labour standards, and gender inclusion. The agreement is expected to unlock meaningful gains through tariff rationalisation, streamlined customs procedures, and enhanced regulatory transparency.

Notably, its expanded coverage of services, including financial, digital, and infrastructure sectors, increases the importance of cross-border tax structuring, place of supply considerations, and tariff implications. For businesses, the real opportunity extends beyond tariff savings. It is more about strategically aligning supply chains, leveraging rules of origin, and optimising tax and compliance frameworks to fully realise the agreement's commercial and operational benefits.



## People Mobility

The India–EU framework on people mobility facilitates the temporary movement of professionals linked to services trade, with a focus on predictability, transparency, and procedural efficiency, while preserving regulatory autonomy on both sides.

It covers key categories including Business Visitors, Intra-Corporate Transferees (ICTs), Contractual Service Suppliers (CSS), Independent Professionals (IP), and Short-Term Business Visitors (EU-specific). In committed sectors, entry is permitted subject to scheduled conditions, with no quotas, economic needs tests, or labour market tests for core categories such as Business Visitors and ICTs.

### Indicative framework of duration of stay

Category	Permitted Duration of Stay	Extension Provision
Business Visitors (BV)	90 days in any 6-month period	As per domestic law
Short-Term Business Visitors	90 days in any 6-month period	As per domestic law
Managers & Specialists (Intra-Corporate Transferees – ICT)	3 years	Extendable by 2 years, subject to domestic law
Trainee Employees (ICT)	1 year	Extendable by 2 years, subject to domestic law
Contractual Service Suppliers (CSS)	Cumulative period of 12 months	Subject to specific conditions
Independent Professionals (IP)	Cumulative period of 12 months	Subject to specific conditions

Procedurally, the framework emphasises time-bound processing, proportionate documentation, and transparency. Applications are to be processed expeditiously, with decisions (including reasons for refusal) communicated promptly. Digital processing, reasonable fees, and publicly available information on visa categories, timelines, and requirements are key facilitation elements.

Notably, the ICT applications are to be processed within 90 days, with provisions for family members aligned on a reciprocal basis.

### Professional Qualifications & Market Access

The framework does not override domestic licensing requirements for regulated professions. Instead, it creates a pathway for Mutual Recognition Agreements (MRAs) between professional bodies, enabling recognition of qualifications, licensing standards, and experience over time. It also encourages temporary or project-based licensing arrangements, allowing professionals to operate without undergoing full requalification in certain cases—an important facilitator for project-driven sectors.

### Commercial Significance

From a business perspective, these provisions are particularly relevant for services-led sectors such as IT, engineering, consulting, financial services, and technical project execution.

- India's services exports account for approximately over 40% of the total exports, underscoring the importance of mobility.
- The EU faces ageing demographics and skill shortages across several sectors.
- Structured mobility pathways improve deployment flexibility, client servicing, and contract execution timelines.

### Practical Constraints

Despite the facilitative framework, key limitations remain:

- **Fragmented EU Regime:** Immigration and employment rules continue to be governed at the Member State level.
- **Local Regulatory Requirements:** Licensing, recognition, and compliance obligations still apply.
- **Conditional Access:** Sector-specific commitments and eligibility criteria must be met.

Overall, the mobility framework represents a measured but commercially meaningful step forward, shifting from restrictive entry conditions to a more transparent and rules-based system. While it does not create unrestricted labour mobility, it significantly improves operational certainty and planning for cross-border service delivery.

Its effectiveness, however, will depend on implementation at the Member State level, the evolution of MRAs, and practical alignment of regulatory processes over time.

## Key Takeaways – People Mobility Framework

- Structured mobility regime introduced covering Business Visitors, ICTs, CSS, and Independent Professionals with defined entry conditions
- No quotas or labour market tests for core categories like Business Visitors and ICTs, enhancing predictability
- Clear stay durations and extension pathways improve workforce planning and project deployment timelines
- Procedural facilitation through time-bound processing (e.g., ~90 days for ICTs), digital applications, and transparent requirements
- No automatic recognition of qualifications, but a pathway for Mutual Recognition Agreements (MRAs) to ease market access over time
- Key constraints remain, including Member State-level regulations, licensing requirements, and sector-specific eligibility conditions.

High relevance for services sectors (IT, consulting, engineering, financial services), especially given EU skill shortages and India's strong services export base (~40%+)

## Non-Tariff Barriers & Regulatory Alignment

For most businesses, especially in knowledge-driven and services sectors, non-tariff barriers (NTBs) are often more impactful than tariffs. The proposed India–EU FTA seeks to reduce regulatory friction, enhance transparency, and create predictable, rules-based trade while preserving regulatory autonomy on both sides.

At its core, the framework addresses “behind-the-border” barriers affecting market access, while maintaining high standards of health, safety, environment, and consumer protection. It builds on WTO disciplines, particularly in Sanitary and Phytosanitary (SPS) and Technical Barriers to Trade (TBT) and strengthens them through bilateral cooperation and dispute resolution mechanisms.

In the SPS space, the agreement introduces greater procedural clarity through defined timelines for approvals, audits, and certifications, alongside a systems-based approach where authorities, not individual facilities are assessed. While this may streamline access, stringent standards and the possibility of sector-wide suspensions in case of systemic failures remain key risks.

Under TBT, the FTA reinforces non-discrimination, promotes international standards, and mandates transparency through prior publication, consultation periods, and transition timelines. A dedicated mechanism for conformity assessment aims to reduce duplicative testing and compliance burdens over time.

### Key NTB Areas: Practical Impact

**Standards & QCOs (India):** Greater consultation and cooperation, but no restriction on new QCOs or existing certification requirements (e.g., BIS), requiring proactive compliance planning.

**Digital Trade & Data:** Limited progress on data flows; data localisation in India and GDPR in the EU remain intact, necessitating dual or modular data architectures.

**Mobility of Professionals:** Eases movement in select sectors but fragmented the EU member-state rules and restrictions in sensitive sectors limit practical access.

**Subsidies (PLI Schemes):** Transparency enhanced but excluded from dispute settlement PLI schemes remain fully operational and impactful.



**CBAM:** A major cost factor for carbon-intensive exports (steel, aluminium, cement, fertilisers), with benefits linked to future alignment on carbon pricing.

**Financial Services:** “Fast-follower” provisions support innovation, but regulatory discretion, FDI caps, and localisation requirements continue.

**Trade Remedies:** Safeguard mechanisms remain available, allowing temporary tariff reversion in case of import surges, particularly relevant for sensitive sectors like automotive.

### Transparency, Sustainability, and Implementation

The FTA emphasises transparency and good regulatory practices through the publication of measures, stakeholder consultation, and use of the Regulatory Impact Assessments enhancing predictability for businesses. It also integrates binding commitments on environmental and labour standards aligned with global frameworks.

### Strategic Perspective

The framework is as critical as tariff liberalisation but stops short of full regulatory harmonisation. Compliance with domestic regulations particularly stringent EU standards remains essential. Its real value will depend on effective implementation, regulatory cooperation, and evolution of mechanisms such as mutual recognition and streamlined certification. These outcomes are likely to materialise gradually through continued engagement rather than immediately upon implementation.

# From a business standpoint, success will require proactive monitoring and alignment,

particularly in areas such as SPS compliance, conformity assessment, digital regulation, and carbon-related obligations, which will ultimately determine the extent of market access benefits.

## Rules of Origin and Origin Procedures

Rules of Origin are criteria used to identify the country in which a product originates. Their purpose is to ensure that only goods undergoing substantial production or transformation in a partner country receive preferential tariff treatment. They also prevent goods from third countries from indirectly benefitting without meaningful processing.

Eligibility for tariff benefits depends entirely on satisfying origin requirements. Only goods that meet prescribed conditions can receive concessions and as a result, origin compliance directly affects sourcing, production planning, pricing, and export competitiveness. Failure to meet these criteria can eliminate access to preferential tariffs, whereas proper structuring can create significant cost and market advantages.

### The framework recognises two broad categories of origin

#### Wholly Obtained

Goods entirely produced within one country qualify under this category. Typical examples include agricultural goods or minerals.

#### Not Wholly Obtained – Processing Required

Products incorporating materials from more than one country may still qualify if processing requirements and thresholds are met.

This may involve either:

- A change in tariff classification between imported inputs and the finished product, (assessed at the chapter, heading, or sub-heading level); or
- A specified degree defined level of value addition within the exporting country; or
- The completion of specific manufacturing processes to occur, such as melting, chemical reactions, or textile production operations.



## Customs and Trade Facilitation Measures

The agreement places strong emphasis on customs cooperation and trade facilitation to enable efficient cross-border movement of goods while maintaining robust controls to prevent fraud and safeguard public policy objectives such as security and safety. Both sides commit to adopting non-discriminatory laws, modern customs practices, and closer coordination between authorities, including information exchange, process simplification, transit facilitation, IP enforcement, and supply chain security.

Aligned with global standards under the World Customs Organisation (WCO) and the WTO, the framework promotes harmonised data requirements, risk-based controls, and mutual administrative assistance, with due regard for confidentiality and data protection. A key focus is on expediting clearance processes through advance electronic filing, pre-arrival processing, and the release of goods prior to final duty assessment, subject to compliance requirements and appropriate guarantees.

Customs controls will follow a risk-based approach, prioritise high-risk consignments while enabling faster clearance for low-risk shipments. This is complemented by post-clearance audits conducted transparently and on a risk basis, allowing quicker release of goods without compromising compliance.

The agreement also strengthens trade facilitation for compliant businesses through Authorised Economic Operator (AEO) programmes. Eligible traders benefit from reduced inspections, faster clearance, simplified procedures, and potential mutual recognition between jurisdictions. Although, such recognition may require significant technical alignment over time.

Transparency is a central pillar, with commitments to publish customs laws, procedures, duties, and related requirements in a timely manner. Importantly, advance rulings on tariff classification and origin provide businesses with prior certainty on customs treatment, supporting better pricing and supply chain planning, albeit subject to change if the underlying facts or laws evolve.

Additional facilitation measures include clear appeal mechanisms, WTO-consistent customs valuation practices, and provisions for temporary admission and duty-free treatment of goods for repair, ensuring flexibility for specific business use cases.

From a practical standpoint, many of these measures reflect existing commitments under the WTO Trade Facilitation Agreement. Accordingly, the incremental value of the FTA lies in strengthening bilateral cooperation, improving operational coordination, and enhancing predictability in customs administration rather than introducing entirely new obligations.

Overall, the framework is designed to reduce procedural friction and improve ease of doing business. Its real impact, however, will depend on effective implementation and the extent to which facilitation measures are operationalised in day-to-day customs practices.



# Investment & Investor Protection

## Investment & Investor Protection: A Strong Foundation, With More to Come

The India–EU partnership represents one of the most compelling foreign investment corridors of the decade. A high-growth market of 1.4 billion people paired with the world's largest single market, now anchored by the conclusion of the Free Trade Agreement (FTA) negotiations in January 2026. The investment protection architecture is being developed in two deliberate phases, reflecting the ambition and complexity of the partnership.

### Phase 1 – FTA (Negotiation concluded January 2026, pending ratification)

The FTA locks in policy stability in sectors India has already opened, such as insurance, telecom, e-commerce, and manufacturing, giving investors a binding regulatory baseline to plan around. An Investment Facilitation Mechanism (IFM) provides a structured channel to resolve approvals and cut through regulatory complexity. Most Favoured Nation (MFN) treatment in committed services sectors ensures non-discriminatory access from day one of ratification.

### Phase 2 – Investment Protection Agreement (IPA, under negotiation)

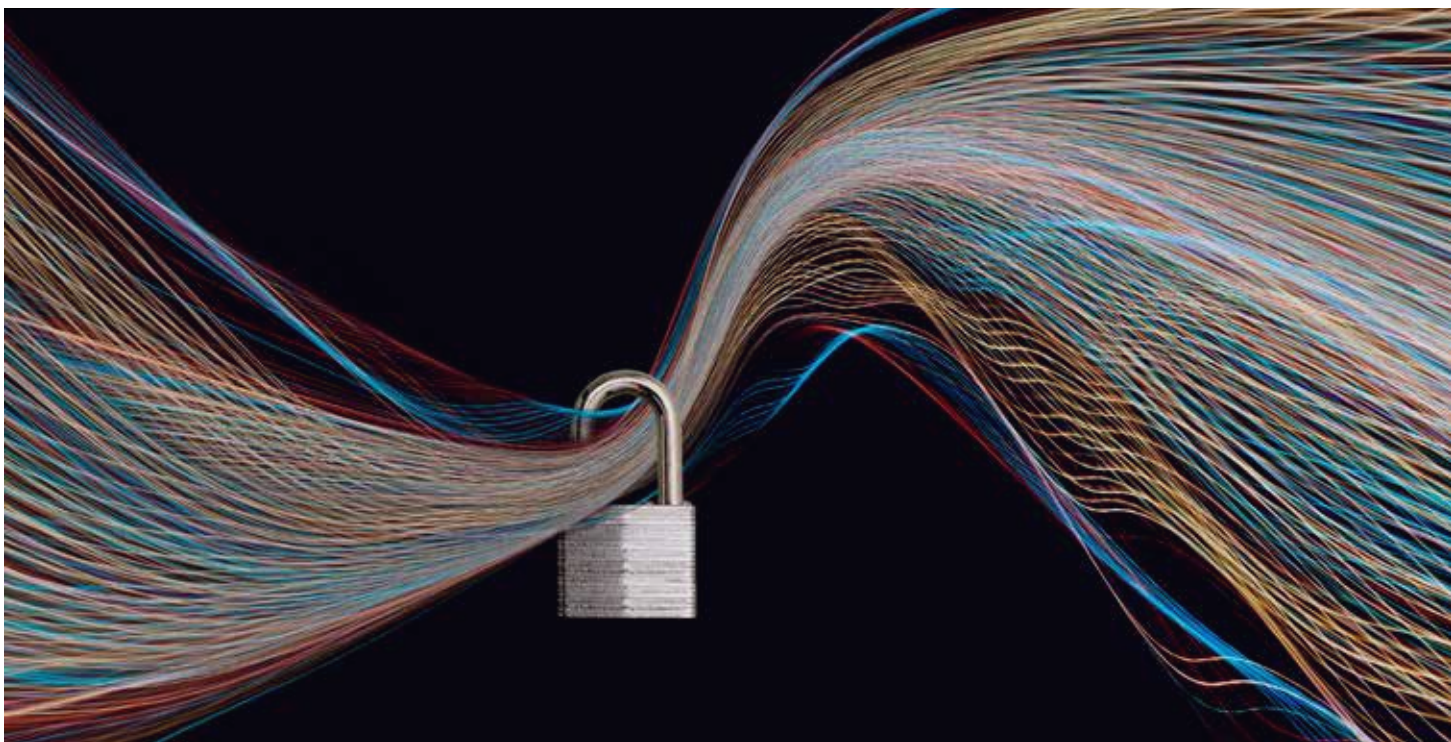
The proposed IPA is expected to introduce a comprehensive treaty-level protection layer including:

- Guaranteed repatriation of profits, dividends, and capital in freely convertible currency.
- Compensation rights in the event of expropriation.
- Fair & Equitable Treatment (FET) protection against arbitrary or discriminatory government action.
- A formal dispute resolution mechanism.

Together, these provisions reflect a shared commitment to building a durable, institutionalised investment relationship, extending beyond a single trade cycle.

### Existing Protection Framework

Investors are not entering a vacuum. India's domestic framework (FEMA, RBI regulations, and sector-specific regulators) provides a well-established operating environment that hosts over 6,000 European firms today. Similarly, the EU capital rules provide a stable framework for Indian investors entering Europe. The FTA, once ratified, will add a binding treaty layer to this existing foundation.



## Managing risk during the transition period

Investors can manage treaty transition periods through available structural tools, independent of when the IPA enters force:

**Holding Company Jurisdiction:** Routing investments through jurisdictions such as the Netherlands, Singapore, or Mauritius can provide access to existing bilateral investment treaty (BIT) protections with stronger arbitration provisions.

**Political Risk Insurance:** MIGA (World Bank), ECGC, and private underwriters offer coverage against expropriation, currency inconvertibility, and political disruption — standard practice for capital-intensive cross-border deployments.

**Contractual Protections:** Stabilisation clauses in government project agreements, international arbitration seats (e.g., Singapore, London, Paris) in commercial contracts, and step-in rights in joint ventures provide enforceable protections under current framework.

### Dispute Resolution Outlook

The IPA dispute mechanism is still being negotiated, with two pathways on the table: state-to-state resolution, and a structured investor-state mechanism with a domestic remedies period. India's recent BIT practice (including the India-UAE BIT, August 2024) provides a clear template. Either pathway, once finalised, will represent a significant upgrade from the current WTO baseline.

### The Bottom Line

The India–EU investment corridor is open, growing, and treaty-backed.

The FTA provides the commercial foundation, while the IPA will provide the legal architecture. Investors that adopt a proactive and well-structured approach, engaging early with the IFM and local regulatory frameworks, will be best positioned to capture the opportunity as both agreements enter force.





# Key Opportunities & Risk Assessment for Businesses

The EU states are poised to gain from the FTA as their core sectors are well positioned in the next 5 years. India stands to gain from the expertise and the advancements in these sectors as they collaborate more with India.

The India–EU Free Trade Agreement (FTA) presents a transformative landscape for European firms, balancing unprecedented market access with a complex layer of domestic regulatory nuances. This dual outlook suggests that while the "India Opportunity" is statistically significant, success depends on navigating specific structural headwinds.

Sector	Opportunity for EU Firms Evaluating India	Primary Strategic Risk
Automotive & EV	<b>Duty Arbitrage:</b> Tariffs drop from 110% to 10% over 10 years. New entrants can use the 250,000-unit CBU quota to test brand appetite before committing to heavy CapEx.	<b>Safeguards:</b> Duty reversals if imports surge and "injure" domestic players like Tata or Maruti.
Industrial Machinery	<b>Zero-tariff Automation Tech:</b> Enables European firms to equip Indian factories supported by government production incentives. High demand for food processing and precision tools.	<b>Service Barriers:</b> High cost of localised after-sales support networks required for high-tech imports.
Specialty Chem & Pharma	<b>Diversified Sourcing Advantage:</b> Zero-duties empower EU firms to become primary providers for Key Starting Materials (KSM), reducing India's current 70% import reliance with high-quality European alternatives.	<b>Regulatory Frictions:</b> Stricter EU sustainability and carbon reporting (CBAM) may increase overhead. <b>QCO Proliferation:</b> Sudden Bureau of Indian Standards (BIS) mandates can block market access overnight regardless of FTA status.
Food, Wine & Spirits	<b>Mass-Aspirational Pivot:</b> Wine duties drop from 150% to 75% immediately. Opportunity targets the super-premium segment growing at over 15% annually.	<b>GI Gaps:</b> No immediate agreement on protected Geographical Indications (e.g., Champagne or Gorgonzola). <b>State-Level Barriers:</b> The FTA lowers federal customs but does not harmonise diverse state-level excise and labelling laws.
Medical Devices	<b>Structural Dependency:</b> India is import-dependent for advanced diagnostics. Zero duties within 3–5 years allow EU firms to compete on technology rather than price.	<b>CDSCO Latency:</b> Regulatory registration for Class C/D devices remains a 2–3-year bottleneck.
Renewable Energy	<b>Green Corridor Access:</b> Lowered duties on solar/wind components and smart-grid tech to support India's 500GW 2030 target.	<b>Local Content:</b> Even if an EU company exports at zero duty, an Indian competitor might receive a government subsidy of 4% to 6% on their production value.
Aerospace & Defence	<b>Aviation Boom:</b> Duty-free import of aircraft parts and engines simplifies setting up Maintenance, Repair, and Overhaul (MRO) hubs.	<b>Offset Obligations:</b> Continued pressure to meet high domestic procurement/offset percentages.
Luxury Retail	<b>Affluence Capture:</b> Reduced tariffs on premium leather, fashion, and watches target India's 100M-strong affluent class projected by 2027.	<b>Operational Effort:</b> Underestimating the logistics, audits, and digital record-keeping required for compliance. <b>Distribution Fragmentation:</b> High real estate costs and a lack of organized luxury malls outside tier-1 cities.
Digital Services	<b>SaaS Expansion:</b> Commitments on cross-border data flows and e-commerce parity ease market entry for EU software firms.	<b>Data Localisation:</b> Conflict between EU GDPR and India's evolving Digital Personal Data Protection (DPDP) Act.
Professional Services	<b>Mobility of Personnel:</b> Eased "Mode 4" rules allow EU consultants and engineers to move freely for short-term projects.	<b>Mobility Caps:</b> India–EU professional movement remains selective and subject to strict visa quotas. <b>Certification Gaps:</b> Mutual recognition of professional qualifications is still a work-in-progress.

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# About Nexdigm

Nexdigm is an employee-owned, privately held, independent global organization that helps companies across geographies meet the needs of a dynamic business environment. Our focus on problem-solving, supported by our multifunctional expertise enables us to provide customized solutions for our clients.

We provide integrated, digitally driven solutions encompassing Business and Professional Services, that help companies navigate challenges across all stages of their life-cycle. Through our direct operations in the USA, Poland, UAE, and India, we serve a diverse range of clients, spanning multinationals, listed companies, privately-owned companies, and family-owned businesses from over 50 countries.

Our multidisciplinary teams serve a wide range of industries, with a specific focus on healthcare, food processing, and banking and financial services. Over the last decade, we have built and leveraged capabilities across key global markets to provide transnational support to numerous clients.

From inception, our founders have propagated a culture that values professional standards and personalized service. An emphasis on collaboration and ethical conduct drives us to serve our clients with integrity while delivering high quality, innovative results. We act as partners to our clients, and take a proactive stance in understanding their needs and constraints, to provide integrated solutions. Quality at Nexdigm is of utmost importance, and we are ISO/IEC 27001 certified for information security and ISO 9001 certified for quality management.

We have been recognized over the years by global organizations, like the International Accounting Bulletin and Euro Money Publications, World Commerce and Contracting, Everest Group Peak Matrix® Assessment 2022, for Procurement Outsourcing (PO) and Finance and Accounting Outsourcing (FAO), ISG Provider Lens™ Quadrant 2023 for Procurement BPO and Transformation Services and Global Sourcing Association (GSA) UK.

Nexdigm resonates with our plunge into a new paradigm of business; it is our commitment to *Think Next*.

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Reach out to us at [ThinkNext@nexdigm.com](mailto:ThinkNext@nexdigm.com)

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