



The EU-India Free Trade Agreement

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On 26 January 2026, the European Union and India concluded negotiations on a comprehensive free trade agreement. The agreement marks an important step in economic relations between two of the world's largest economies. In addition to economic objectives, both sides are pursuing strategic interests. Against a backdrop of increasing geopolitical tensions and growing protectionist tendencies, the EU and India are committed to a rules-based trading system.

Economic context

According to the European Commission, the bilateral trade volume in goods and services amounts to over €180 billion annually. Around 800,000 jobs in the EU depend on these trade relations. India is one of the fastest-growing major economies.

Market access has so far been characterised by high tariffs, complex import procedures, localisation requirements and administrative uncertainties. Approval processes have often proved time-consuming and lacking in transparency. Differing regulatory requirements at central and state levels have increased transaction costs and made reliable market entry planning difficult.

The Commission anticipates that, in future, around 96.6% of EU exports of goods to India will be wholly or partially exempt from customs duties. It expects

annual tariff savings in the region of around four billion euros. Concrete economic effects will depend on the final form of the tariff reduction plans and their practical implementation.

This opens up a market of around 1.45 billion people for European small and medium-sized enterprises. At the same time, the agreement requires precise legal and strategic preparation.

Benefits of the agreement

Tariff reduction and industrial value creation

At the heart of the agreement is a phased tariff reduction. According to the information published so far, the following sectors in particular are set to benefit:

- **Automotive sector:** Significant reduction in previously very high Indian import duties, in some cases with transition periods and quantitative quotas. Extensive liberalisation is planned for car parts.
- **Mechanical and plant engineering:** Removal of substantial tariffs across numerous product categories.
- **Chemical industry:** Substantial tariff reductions, including duty-free access for large parts of the product range.



- Pharmaceuticals and medical technology: Tariff reductions and improved transparency requirements in the regulatory sphere.

The ultimate assessment is subject to the published text of the final agreement. For globally integrated supply chains, it is crucial that intermediate products are gradually liberalised. This will enable companies to combine local production structures in India with European components.

Tariff preferences only apply if companies comply with the agreed rules of origin. For the first time, the agreement establishes a binding and transparent legal framework between the EU and India for this purpose. Uniform rules of origin increase legal certainty, facilitate the calculation of cross-border value chains and reduce the risk of arbitrary or inconsistent administrative practices.

Nevertheless, companies must systematically analyse their input materials and value-added shares, adjust preference calculations, verify supplier declarations and align their internal customs and compliance structures accordingly. This administrative implementation is particularly challenging for small and medium-sized enterprises. Errors in proof of preferential treatment can lead to additional assessments, late payment interest and penalties. Early implementation of robust customs processes is therefore essential.

Services and regulatory framework

The agreement aims to improve market access for European service providers, particularly in the areas of financial services, IT, engineering, logistics and maritime services. Transparency obligations and market access rules can reduce regulatory uncertainty.

In return, India is seeking to facilitate the mobility of skilled workers. Competence for visa and residence matters remains with the Member States. Companies must therefore continue to comply with national immigration regulations.

Intellectual property protection

The agreement provides for strengthened protection of trademarks, designs, trade secrets and copyrighted works. Improved enforcement mechanisms can strengthen the legal position of technology-driven companies. Practical effectiveness depends on the capacity of national courts and administrative authorities.

Sustainability and climate regulation

The agreement contains a chapter on trade and sustainable development. The parties commit to implementing international environmental and labour standards and to cooperating on climate protection. No general exemption from the European Carbon Border Adjustment Mechanism (CBAM) is provided for. Exporters must therefore continue to comply with the relevant EU climate requirements.

What is not included

- There is no full liberalisation in either the automotive or agricultural sectors. Instead, the parties have agreed on transition periods, quantitative quotas and differentiated tariff reduction paths. In the automotive sector, particularly sensitive product categories are to be liberalised only gradually. In some cases, long transition periods and tariff quotas apply, within which reduced tariff rates are applied, whilst higher tariffs continue to be levied outside the quotas. This structure protects domestic industry from sudden competitive pressure and allows time for adjustment. Tariff protection mechanisms also remain in place in the agricultural sector. Certain products are subject to tariff quotas or reduced, but not completely abolished, tariff rates. The quantitative restrictions serve to stabilise sensitive market segments and reflect the political sensitivity of agricultural production in both the EU and India.
- An investment protection system is not part of this agreement. Investment protection is being negotiated separately.



- The exact scope of possible public procurement rules will only become clear once the published text of the agreement is available. Policy summaries suggest limited market opening, but not comprehensive liberalisation of all procurement markets.

Discussions on the agreement

Non-tariff trade barriers

Tariff reductions lower formal market access barriers. Technical standards, certification procedures, localisation requirements or administrative delays may continue to incur significant costs. The agreement strengthens transparency and dialogue mechanisms, but does not eliminate structural differences in regulatory systems.

For businesses, this means that whilst market entry is made easier in terms of customs duties, it remains challenging from a regulatory perspective. Those who fail to carefully examine technical requirements, approval procedures and local compliance requirements risk delays, additional costs or de facto market access restrictions despite reduced tariffs.

Competitive pressure and structural change

Export-oriented industries are likely to benefit. Less competitive sectors face pressure to adapt. The agreement thus acts as a catalyst for structural changes within the EU.

Criticism is directed in particular at the fact that market opening and increased competition may trigger short-term production relocations, price pressure or employment effects in sensitive sectors. Sceptics therefore fear that the economic benefits will be unevenly distributed and that certain regions or sectors will bear the adjustment costs, whilst others benefit disproportionately.

Geopolitical dimension

Through the agreement, the EU is deepening its economic ties with an already key trading partner and

diversifying its global interdependencies. This strategic diversification is intended to strengthen the resilience of European companies in a fragmented international environment. Critics point out, however, that closer economic ties can also create new dependencies, particularly in the case of one-sided supply chains or in strategically sensitive industries. Furthermore, geopolitical tensions can indirectly impact economic cooperation and increase business risks.

Procedural steps for ratification

With the conclusion of negotiations, the agreement has been politically agreed but is not yet legally binding. The procedure set out in Article 218 TFEU now follows. First, the legal and linguistic finalisation of the text of the agreement takes place. The Council then decides on the signing. The European Parliament must approve the agreement; it can only accept or reject the text in its entirety.

The classification under the rules on competences is decisive for the further course of events. If the agreement falls entirely within the exclusive competence of the Union under the Common Commercial Policy, it can be concluded as an ‘EU-only’ agreement. If, on the other hand, it covers areas of shared competence, it constitutes a mixed agreement. In this case, additional national ratifications in the Member States are required, which can significantly prolong the procedure. Provisional application is, in principle, only possible for those parts falling within the exclusive competence of the EU. Legal certainty therefore only arises upon formal conclusion or, where provided for, upon the commencement of provisional application. Entry into force is not expected before the institutional procedures have been completed.

Outlook for businesses

European businesses should integrate the agreement into their strategic planning at an early stage. Firstly, it is advisable to analyse the relevant tariff reduction schedules and transition periods. A careful examination of the rules of origin is also necessary, as tariff preferences only apply if proper proof of origin is provided.



Supply chains, procurement structures and potential localisation strategies should be reviewed. Manufacturing companies can assess whether production steps in India make economic sense. Service providers should analyse regulatory licensing requirements. Furthermore, consistent protection of intellectual property rights is advisable. Sustainability requirements, particularly in connection with the carbon border adjustment mechanism, must be integrated into export planning at an early stage.

The agreement opens up significant market opportunities. Whether these are realised depends largely on how systematically companies incorporate the new legal framework into their business strategy.

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