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India-EU Free Trade Agreement 2026 — Nineteen Years in the Making

28 January 2026

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India-EU Free Trade Agreement 2026 — Nineteen Years in the Making

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WHY IN NEWS

India and the European Union formally concluded their Free Trade Agreement (FTA) negotiations in January 2026 — nearly two decades after talks began in 2007, survived a nine-year suspension (2013–2022), and navigated contentious issues from automobiles and dairy to digital privacy and labour standards. The agreement marks the EU's entry as a comprehensive economic partner for India, covering goods, services, investments, and intellectual property.

BACKGROUND — THE LONG ROAD TO AN INDIA-EU FTA

The India-EU FTA story is a study in the complexity of negotiating between a 1.4-billion-person developing economy and a 450-million-person developed bloc of 27 nations with radically different regulatory environments, political economies, and domestic pressures.

Timeline:

Year	Event
2004	India-EU Strategic Partnership established
2006	India-EU FTA feasibility study commissioned
2007	FTA negotiations formally launched (Formal name: Broad-Based Trade and Investment Agreement – BTIA)
2013	Negotiations suspended after 16 rounds – stalled on automobiles, dairy, wines/spirits, pharmaceuticals, Mode 4 services
2016–2021	Consultations and exploratory talks; no formal progress
2022	Negotiations relaunched at India-EU Summit (May 2022, New Delhi) – renamed Comprehensive Trade and Investment Agreement (CTIA)
2023–2025	Intensive negotiating rounds; 9 negotiating groups covering goods, services, investment, IPR, SPS, TBT, sustainability
January 2026	FTA concluded – announced at 16th India-EU Summit context

WHAT WAS HOLDING BACK THE FTA?

The Sticking Points (2007–2022)

From India's side:

Automobiles: India's domestic auto industry (Tata, Mahindra, Maruti Suzuki) feared EU imports under brands like Volkswagen, BMW, Mercedes, Renault would erode market share if import duty dropped from ~100% to near-zero

Dairy: India's 75 million dairy farmers and cooperative sector (AMUL model) viewed EU dairy imports (especially subsidised cheese, butter, powder milk) as an existential threat

Wines and spirits: Excise + import duties; domestic industry protection; moral/social concerns in certain states

Poultry and farm produce: Agricultural lobby resistance

Services/Mode 4: India wants liberalised entry for Indian IT professionals, consultants, managers in EU (Mode 4 = movement of natural persons); EU member states politically resistant to migration-linked service provisions

From the EU's side:

IPR and data: EU wanted TRIPS-Plus provisions; India resisted patent extensions that would affect generic pharmaceutical production

Labour standards: EU demanded India adopt ILO core labour standards (freedom of association, collective bargaining, abolition of child labour, non-discrimination) as binding FTA conditions

Environmental standards: EU wanted climate commitments aligned with Paris Agreement

Market access for services: EU banking, insurance, legal services firms wanted deeper access to India's protected financial services sector

What Changed Post-2022

Several factors made the 2022 relaunch more productive:

China+1: Both sides were motivated by supply chain diversification needs after COVID-19 and US-China tech war

Russia-Ukraine war (2022): Disrupted European supply chains; EU needed alternative partners urgently

India's economic reforms: GST, PLI schemes, Insolvency Code improved India's regulatory environment

Pragmatism on both sides: India agreed to staged automotive tariff reduction; EU accepted India's pharmaceutical patent red lines

CBAM deadline pressure: EU's Carbon Border Adjustment Mechanism (CBAM) creates urgency for India to negotiate climate clauses in FTA terms

KEY PROVISIONS OF THE 2026 AGREEMENT

Goods Trade

EU's market opening for India:

Opens **97% of tariff lines** covering **99.5% of India's exports** by value (staged over 7 years)

Zero-duty access for India's labour-intensive sectors:

Textiles and apparel (currently EU duty: 12–16%)

Leather and leather goods

Footwear

Gems and jewellery

Engineering goods

Combined value of zero-duty access: ~**USD 33 billion** in current annual exports

Phased reduction on automobiles (from EU to India): 10-year liberalisation schedule from 100% to 15%

India's market opening for EU:

Opens **92.1% of tariff lines** covering **97.5% of EU exports**

Excluded/protected sectors: Dairy, cereals, poultry, soymeal (agricultural floor protection)

Automobiles: 10-year staged reduction with domestic content requirements (PLI conditions)

Wines and spirits: 5-year phased reduction with import quota limits

Services Trade

EU committed across **144 services sub-sectors** (binding "positive list" commitments)

India opened **102 services sub-sectors**

Professional mobility framework (Mode 4): Intra-company transferees, contractual service suppliers, independent professionals — limited but binding commitments from EU

Digital services: Mutual recognition of electronic signatures, data flow provisions (EU's GDPR vs India's DPDP Act reconciliation)

Financial services: Limited further opening by India; grandfathering of existing regulations

Intellectual Property

TRIPS-compliant FTA — India did not accept TRIPS-Plus provisions that would have extended patent protection beyond 20 years

Pharmaceutical safeguard: India's compulsory licensing rights under TRIPS Article 31 explicitly preserved

GI protections: Both sides commit to protect the other's Geographical Indications — EU protects Indian Basmati rice, Darjeeling tea, Mysore silk; India protects EU's Champagne, Parmigiano Reggiano, Scotch whisky

Investment

Bilateral Investment Protection Agreement (BIPA) — a separate but parallel track; framework for dispute resolution

EU investors in India: Sector restrictions in defence (74% FDI cap), strategic sectors maintained

India's **ISDS (Investor-State Dispute Settlement) red line:** India refused ISDS provisions since 2016 (after terminating bilateral investment treaties); resolution mechanism will be state-to-state

THE NON-TARIFF CHALLENGES THAT REMAIN

Even with the FTA concluded, India faces three major EU non-tariff measures that will significantly affect market access:

Carbon Border Adjustment Mechanism (CBAM)

What it is: An EU mechanism (effective 2026, full implementation) that imposes a carbon cost on imports of carbon-intensive products (steel, aluminium, cement, fertilisers, electricity, hydrogen) to equalise the carbon cost between EU producers and non-EU producers

India's concern: India's steel and aluminium exports to EU will face CBAM charges equivalent to EU ETS (Emissions Trading System) carbon price — potentially EUR 60–100 per tonne of CO₂

Impact on India: India exports ~USD 8 billion in steel + aluminium to EU annually; CBAM could add 15–30% effective cost, wiping out FTA tariff gains for these sectors

India's position: CBAM is protectionism disguised as climate policy; violates WTO non-discrimination principles; disproportionately impacts developing economies

EU Deforestation Regulation (EUDR)

What it is: EU law requiring exporters to prove their products (coffee, cocoa, palm oil, soy, timber, cattle, rubber) were not produced on deforested land after December 31, 2020

India's concern: Coffee (Karnataka, Kerala) and rubber (Kerala) exports require digital geolocation traceability data — compliance cost is high for smallholder farmers

FTA linkage: India secured a 2-year compliance grace period for smallholder-dominated value chains under the FTA

Corporate Sustainability Due Diligence Directive (CSDDD)

What it is: EU law requiring large EU companies to audit their entire supply chain (including Indian suppliers) for human rights and environmental violations

India's concern: Imposes EU regulatory standards on Indian manufacturing; could lead to supply chain exclusions if Indian factories do not meet EU-standard audits

STRATEGIC CONTEXT — WHY THE FTA MATTERS BEYOND TRADE

The India-EU FTA is more than a trade agreement — it is a **geopolitical signal**:

China+1 institutionalised: The FTA gives EU companies a regulatory-safe basis to shift supply chains from China to India, reducing dependence on a single authoritarian supplier

Technology transfer: Deeper investment protections create conditions for EU companies to bring advanced manufacturing (EVs, semiconductors, renewable energy equipment) to India

Counterweight to Belt and Road: India's IMEC (India-Middle East-Europe Economic Corridor) + EU FTA together create a viable alternative connectivity and trade architecture

Democratic bloc alignment: Both India and the EU position themselves as rule-of-law democracies — the FTA embeds this in commercial law

Comparison: The EU-UK FTA took 5 years to conclude post-Brexit; the EU-Canada CETA took 7 years; the EU-Japan EPA took 5 years. The India-EU deal’s 19-year journey reflects India’s historically protectionist trade policy — and the 2026 conclusion reflects a significant philosophical shift.

INDIA’S FTA LANDSCAPE — WHERE DOES THIS FIT?

Partner	Agreement	Year
ASEAN	CEFPA (Goods)	2010
South Korea	CEPA	2010
Japan	CEPA	2011
UAE	CEPA	2022
Australia	ECTA (interim FTA)	2022
UK	CEPA	2025
EU	FTA	2026

The EU FTA makes the European Union India’s **most significant FTA partner** by economic size — EU GDP is ~USD 18 trillion, dwarfing all previous partners.

UPSC RELEVANCE

India-EU FTA 2026; BTIA (original name); CTIA (current name); FTA negotiations started 2007, suspended 2013, relaunched 2022; EU = India’s 22nd FTA partner; EU opens 97% tariff lines; India opens 92.1%; zero-duty for textiles/leather/gems/footwear from India; CBAM (carbon border levy, 2026); EUDR (deforestation regulation); CSDDD; TRIPS (Trade-Related Intellectual Property Rights); Mode 4 services (movement of natural persons); India-EU bilateral trade ~USD 140 billion; combined India+EU = ~25% global GDP.

*India-EU Strategic Partnership evolution; non-tariff barriers in international trade; India’s FTA policy — protectionist vs liberalising phases; India-UK CEPA (2025) as template; Quad + EU partnership as multi-alignment architecture. **GS-3:** CBAM and WTO compatibility; EUDR and its impact on Indian smallholder farmers; pharma industry and TRIPS flexibilities; FDI from EU in India; India’s PLI schemes and their interaction with FTA rules of origin; trade deficit management; India as manufacturing destination (China+1).*

★ FACTS CORNER — KNOWLEDGEPEDIA

INDIA-EU FTA TIMELINE:

Formal negotiations start: **2007** (as BTIA — Broad-Based Trade and Investment Agreement)

Suspended: **2013** (after 16 rounds)

Relaunched: **2022** (renamed CTIA — Comprehensive Trade and Investment Agreement)

Concluded: **January 2026** (16th India-EU Summit context)

KEY NUMBERS:

EU opens: **97% tariff lines** = **99.5%** of India's exports by value

India opens: **92.1% tariff lines** = **97.5%** of EU exports

Zero-duty from EU for India: Textiles, apparel, leather, footwear, gems, jewellery (~**USD 33 bn**)

India-EU bilateral trade: ~**USD 140 billion/year**

India is EU's **22nd FTA partner**

Services: EU opens **144** sub-sectors; India opens **102**

WHAT INDIA PROTECTED:

Dairy, cereals, poultry (excluded from liberalisation)

Compulsory licensing under **TRIPS Article 31** (pharma, generics)

Automobiles: 10-year staged reduction (not immediate zero-duty)

NON-TARIFF MEASURES STILL CHALLENGING INDIA:

CBAM (Carbon Border Adjustment Mechanism): Carbon levy on steel, aluminium, cement imports to EU — impacts India's exports

EUDR (EU Deforestation Regulation): Traceability requirement for coffee, rubber, timber

CSDDD (Corporate Sustainability Due Diligence Directive): Supply chain human rights audits

GI PROTECTIONS IN FTA:

India's GIs protected in EU: **Basmati rice, Darjeeling tea, Mysore silk** (and others)

EU's GIs protected in India: **Champagne, Parmigiano Reggiano, Scotch whisky** (and others)

ISDS:

India refused **ISDS** (Investor-State Dispute Settlement) since 2016 policy; FTA has state-to-state mechanism only

OTHER RELEVANT FACTS:

EU-UK FTA: 5 years post-Brexit (2020–2021)

EU-Canada CETA: 7 years

EU-Japan EPA: Signed **2018**, effective **2019**

India's current average tariff: 10–12%; EU average: 3–4%

Mode 4 services: Movement of natural persons (managers, IT professionals, consultants) — India's primary services export interest to EU

TRIPS: Trade-Related Aspects of Intellectual Property Rights — WTO agreement, 1994; covers patents (20 years), copyrights, GIs, trademarks

PLI (Production Linked Incentive) schemes: India's manufacturing incentive — 14 sectors including textiles, pharma, electronics, auto components

Sources: MEA India, European Commission, WTO, The Hindu, Mint

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