

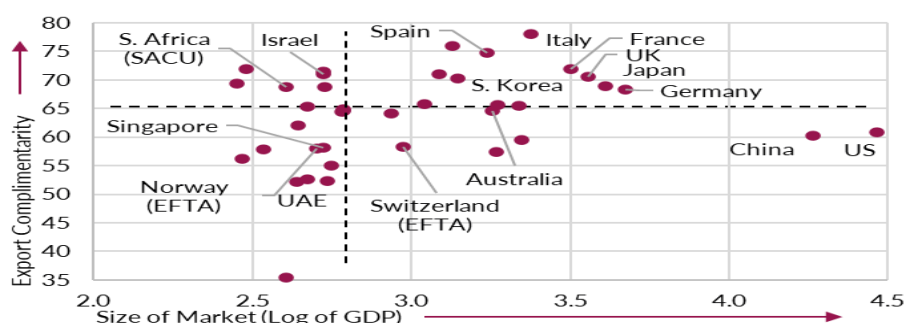
India-EU FTA – strong signal/strategic value; gains to come later

The India EU FTA raises India's FTA coverage of goods exports to 50%. EU27's large market and strong export complementarity further raise its potential value. Sectors like textiles, clothing, footwear and plantation products (tea/coffee/spices), stand to benefit the most: in these India faced higher tariffs than Asian rivals and also has a revealed competitive advantage. Limited change on non tariff barriers, still ongoing negotiations on investments, caveats on people mobility, staggered market opening and political risks are likely to delay benefits. But it strengthens India strategically amid the stalled US trade deal, especially as it follows other deals (esp. UK), and signals India prefers open markets.

28 Jan 2026

India Trade

Exhibit 1: For India, EU-members have higher export complementarity than US



Source: World Bank; IMF; Axis Bank Research; quadrant division based on median values

EU27 rivals the US in size, and has a better export complementarity to India

The much-anticipated (negotiations began in 2007) India-EU Free Trade Agreement (FTA) follows recent deals with the UK, Oman and NZ. Coverage of India's goods exports under its 22 FTAs rises to 50% (Fig 2); the impact is amplified by EU27's market size and better export complementarity for India (Fig 1). Sectors such as clothing, textiles, footwear, and plantation products (tea/coffee, spice) stand to gain the most from this agreement. In these, the EU's current tariff structure (Fig 4) had a meaningful gap between India and its Asian rivals (Bangladesh, Vietnam; Fig 5) and India has a revealed comparative advantage (Fig 8).

Non-tariff barriers could limit gains, implementation delays remain a key risk

The need for European Parliament approval means implementation is at least one year away; lead times thereafter also tend to be lengthy: India's market opening is typically staggered (up to 10 years) and the [EU-Mercosur deal](#) shows that European politics tends to throw surprises. The carve outs on agriculture, and the lack of EU concessions on non-tariff barriers (NTBs) like sanitary/phytosanitary measures and the Carbon Border Adjustment Mechanism (CBAM) may improve the speed and chances of approval, though they also limit upside: NTBs are a bigger concern for India as average tariffs were low (Fig 6). Commitments on services and mobility of people are also included with caveats.

Economic gains may be some time away, but it has strong signal/strategic value

While set out to be a comprehensive agreement (these include goods, services, people and investments), the current FTA seems to have narrowed focus on areas of agreement for now, with negotiations on investment protection ongoing. For India, import tariff reduction on autos will be phased ([link](#)). As sectors likely to gain are the ones hurt the most from US tariffs ([link](#)), this deal becomes far more strategically valuable given the deadlock on the India-US trade agreement. Deals with the US's ideological partners (UK and EU) dilutes the rationale for 25% (Russia trade-linked) 'punitive tariffs' on India. US' other trade deals are also [shaky](#).

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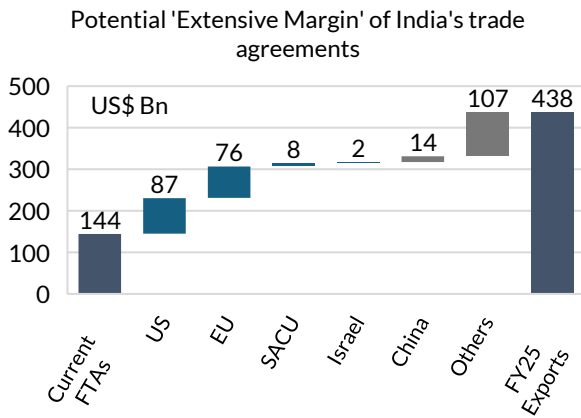
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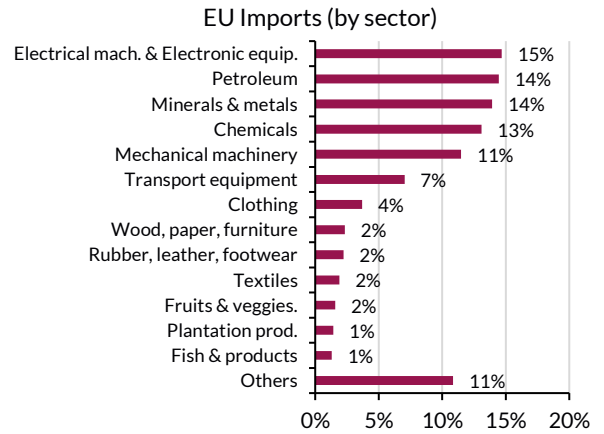
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Exhibit 2: In FY25, exports to EU27 at US\$ 76 Bn were comparable to US\$ 87 Bn of exports to the US



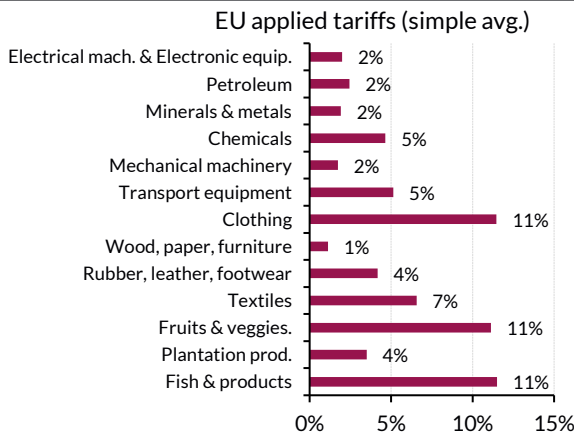
Source: CEIC; Axis Bank Research

Exhibit 3: EU's key (ex-oil) imports by value: electrical machines, pharma, vehicles and telecom equipment



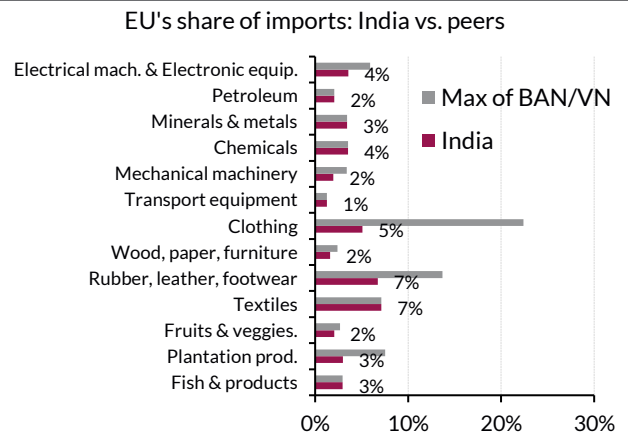
Source: WTO; Axis Bank Research

Exhibit 4: EU applies high tariffs on clothing, textiles, footwear, chemicals, vehicles and agri-products



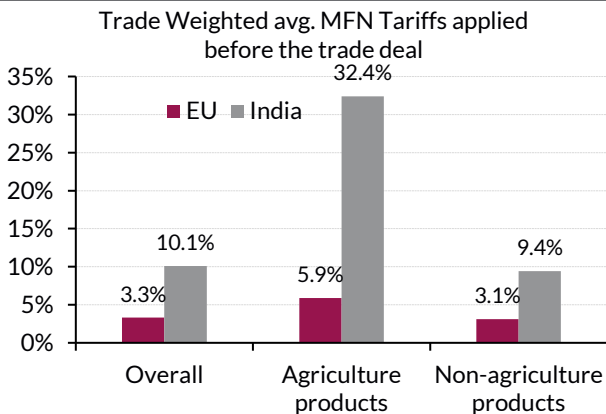
Source: WTO; Axis Bank Research

Exhibit 5: India could close the gap with Bangladesh on clothing; Vietnam on footwear, and tea/coffee



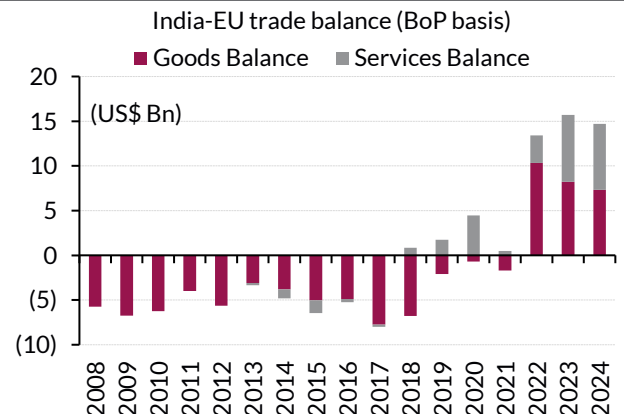
Source: WTO; Axis Bank Research

Exhibit 6: For India, tariff reduction alone is not the most meaningful aspect of the deal



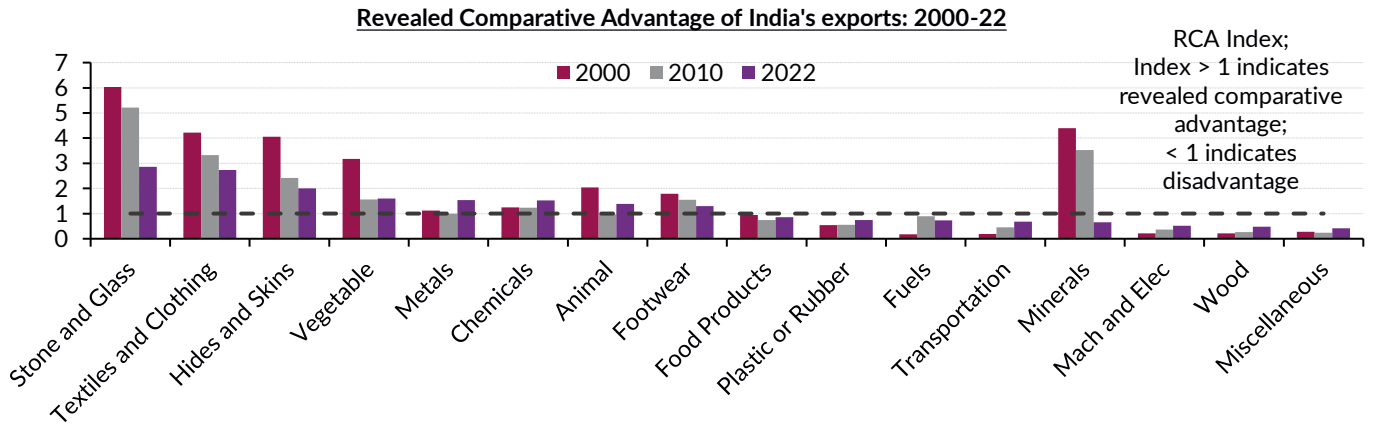
Source: WTO; Axis Bank Research

Exhibit 7: Services now account for half of the total trade surplus with the EU (goods + services)



Source: Eurostat; Axis Bank Research

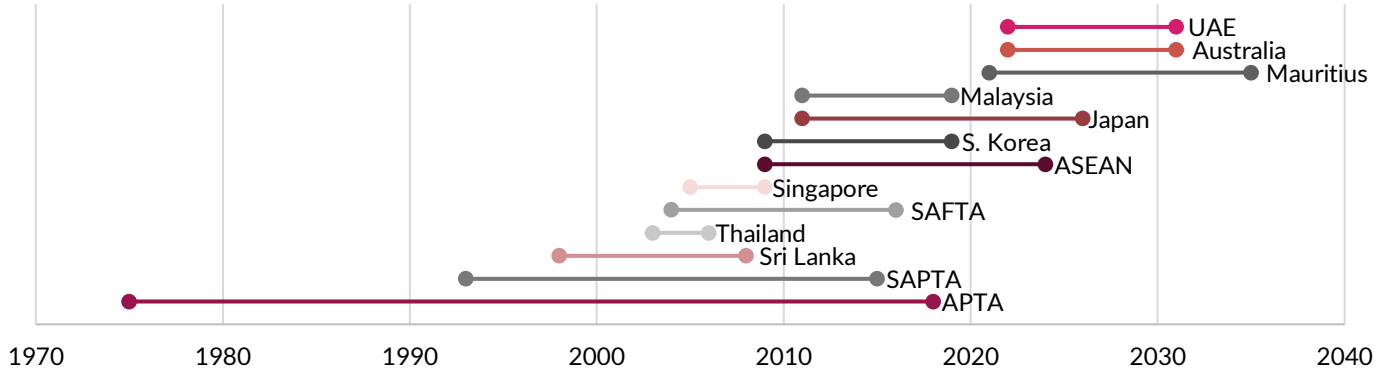
Exhibit 8: India has a revealed comparative advantage in clothing/textiles, footwear (RCA >1, though falling over the years: EU market access should help)



Source: Misra Centre for Financial Markets and Economy (MCFME), IIMA; WITS; Axis Bank Research

Exhibit 9: Post-signing, any positive effects of FTAs can be lagged

Timelines of some Trade Agreements: from Signature to end of Implementation



Source: WTO; Axis Bank Research

Notes on Country/agreement groupings

- 1) SAFTA: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan & Sri Lanka
- 2) EFTA: Iceland, Liechtenstein, Norway and Switzerland
- 3) SACU: Botswana, Lesotho, Namibia, South Africa, and Swaziland
- 4) APTA: Bangladesh, China, India, S. Korea, Laos, Sri Lanka
- 5) GSTP: Plurilateral agreement of 42 developing countries
- 6) MERCOSUR: Argentina; Brazil; Paraguay; Uruguay; India

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