

Overview

The European Union (EU) and India concluded negotiations on a landmark Free Trade Agreement (FTA) in January 2026 after nearly 18 years of discussions. Together, the EU (2nd largest economy) and India (4th largest economy) represent about 25% of global GDP. The agreement aims to significantly reduce trade barriers, enhance market access, and strengthen economic cooperation.

With a combined market estimated at over INR 2091.6 Lakh Crore (USD 24 trillion), bringing unparalleled opportunities for the 2 billion people of India and the EU, the FTA unlocks significant potential for trade and innovation. The FTA delivers unprecedented market access for more than 99% of India's export by trade value, while preserving policy space for sensitive sectors and reinforcing India's developmental priorities. Despite healthy and growing trade, there is a significant untapped potential considering the size of each other's market and trade. The FTA provides an unparalleled pathway and holds immense promise for both, India and the EU, to emerge as each other's major economic partners.

This FTA of strategic significance evolves India-EU relations from a traditional into a modern, multifaceted partnership, providing a stable and predictable environment for exporters, enabling Indian businesses including MSMEs to plan long-term investments, integrate into European value chains, and ensure consistent favourable market access amid global economic uncertainties.

Key Trade Commitments

- Over 99% of Indian Exports in value to Europe will now enter duty-free
- Tariffs on over 96.6% of EU goods exports to India will be eliminated or reduced
- Fully excludes several sensitive agricultural products from liberalisation. Products such as beef, chicken meat, rice and sugar will remain outside the scope of tariff cuts

Which Indian products will get cheaper for Europeans?	Current tariffs on India by EU	Future Tariffs
Marine sectors	26%	0%
Footwear	17%	0%
Chemicals	12.8%	0%
Apparel	12%	0%
Textiles	12%	0%
Consumer goods	10.5%	0%
Base metals	10%	0%
Rail products and ships	7%	0%
Gems and jewellery	4%	0%
Toys and sports goods	4.7%	0%

Source: CNBC TV18

Which European products will get cheaper for Indians?	Current tariffs on Europe by India	Future Tariffs
Machinery and electrical equipment	Up to 44%	0%
Aircraft and spacecraft	Up to 11%	0%
Optical, medical and surgical equipment	Up to 27.5%	0% for 90% of the products
Plastics	Up to 16.5%	0%
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%
Motor vehicles	110%	10% (quota of 250k)
Iron and steel	Upto 22%	0%
Pharmaceuticals	11%	0%
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%

Note: The reductions of few tariffs will occur in stages over the years.

Source: European Commission Press Corner

* While the implementation in India could happen after the Union Cabinet approves, the pact would require ratification from the European Parliament.

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