



## **Assessment of EU-India FTA in View of Geopolitics and Trade: Opportunities and Tariff & Non-Tariff Barriers**

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### **Abstract**

This paper focuses on the ramifications of the EU-India free trade agreement and how they affect both blocs in light of the changing geopolitical environment and the significant nations' roles in global trade and politics. Subsequently, both India and the European Union (EU) stand to gain significant advantages with the deals. Annual business transactions between the EU and India total more than €180 billion. The agreement is expected to have a significant positive impact on the EU economy. In January 2026, India and the EU concluded a trade agreement that had been negotiated for two decades. A multitude of variables, particularly shifting geopolitical dynamics, US tariffs, and the global economy, accelerated up and concluded the negotiations for both blocs. Along with processed food items, the European Union is probably going to benefit most from the automotive, wine, spirits, and other alcohol industries. Additionally, the chemical sector, IT specialists, and service mobility are anticipated to benefit India. The reduction in the tariff will help in increasing the scalability of the trade, but there are several non-tariff barriers that also need to be negotiated to implement the FTA agreement in its spirit.

**Keywords:** Free Trade Agreement, India and EU FTA, Non-tariff barriers, Tariffs.

### **1. Introduction**

In this globalized world, every country is moving towards the expansion of its economic activities and reducing its over-dependency on any country for the supply and access of its market and security (Sus Me, 2025). The EU-India FTA is one of the steps towards the multi polar access of the market from both sides. In the current changing scenario of the geopolitics and surprising moves of the elected government of the USA, it inducted the fear of uncertainty in the minds of the countries. To save their interest and to improve the economic security of the country, European and other allies are taking several steps, and India and China are becoming the major beneficiaries of this geopolitical turmoil initiated by major politico-economic powers. From the older civilization, it has been observed that geopolitics always influence the economics of tries and trades among the nations. In the current situation, the conflict between Russia and Ukraine is going to complete four years; the recent conflict of Israel in Gaza and Iraq; the conflict between Iran and Iraq; the attack of the USA on the sitting president of Venezuela; combined attack of USA and Israel on Iran and the initiation of the USA to capture Greenland have changed the global perspective of geopolitics. Countries are rethinking and analyzing their current allies and diversifying their ties with other possible partners in terms of trades and defense.

It is evident on a global scale and in the backdrop of current disputes that a country's reliance on its market and critical suppliers puts it in a non-negotiable position. Due to restrictions in the Strait of Hormuz, China's and India's reliance on Iran and Russia is a clear indication of their turning stance in international geopolitics. The country is also dealing with alterations to energy security and extremely high inflation. India is seeking to fulfill its energy supply needs with Iran and other partners, including Russia. Furthermore, Europe is in a more vulnerable position because, on the one hand, Russia is reducing its gas and oil supplies to the continent, and on the other, Europe is losing a dependable Middle Eastern energy partner, which shifts the European energy market toward the monopoly of American oil companies. In order to ensure that Indian manufacturers have access to markets and uninterrupted supply, it is crucial that India interact and integrate with all of the principal allies. Given the current state of the world, it is evident that India's non-alignment strategies are effective.

Free Trade Agreement (FTA) has been defined by GATT/WTO as the treaty between two or more countries in which all the tariffs are either eliminated or reduced on numerous goods produced in the member countries; however, tariffs have been decided on a selective basis based on the lobby group pressure in the process of negotiation (Athukorala, P. C. 2020). FTAs fall under the broader WTO category of "Regional Trade Agreements" (RTAs) and are designed to facilitate deeper economic integration among the agreed countries. Moreover, under Article XXIV of GATT 1994 and Article V of GATS, the major objectives of the agreement are defined, such as liberalizing and facilitating trade in goods between the parties through, inter alia, simplification of the customs formalities, reduction of the non-tariff and tariff barriers, facilitating trade in services, promoting investment

opportunities and development of investment environments among the participating countries, adequately and effectively protecting intellectual property, and establishing a framework to enhance closer cooperation.

While the world is moving towards the protectionism type of economics decision to promote their individualistic trade approach, the EU and India decided to open the doors and set the new notion for the world to promote free trade among the countries. In this article, we are trying to review and analyze the EU-India FTA deeply to understand the positive and negative aspects for India and EU countries, the impact of the agreement on other countries, the impact on geopolitics, the challenges to the implementation by India and Europe, and the impact of the agreement on other allies.

## **2. A Two-Decade Strategic Inflection Point**

The initiation of the talks started between the EU and India at the 2007 EU-India Summit in New Delhi, which has been materialized in 2026 with the announcement of the EU-India FTA in January 2026. It is one of the longest-running dialogues in modern trade history. In the first phase, all countries showed an optimistic approach, but with the multiple failures of talks, negotiations were officially suspended in 2013 due to the 3 A's deadlock (Automobiles, Alcohol, and Agreement on Service). However, the Porto Summit in May 2021 served as the historic "relaunch." Among the BRICS nations, India is a rising economy, and for India, the EU is one of the largest trading partners, as well as the over-dependency on China for the supply chain that initiated "rethinking" in both blocs to open the supply chain to mitigate the risk in the future. Moreover, the recent US tariff threats and random decisions significantly justify the decision of both blocs. Russia-Ukraine conflicts also added urgency to the EU's need to pull India closer into a "rules-based" economic order, despite differences in foreign policy, as India and Russia are old strategic partners. During the first stage of negotiation, the EU's stance was more Eurocentric, while India's stance was more protectionist, but due to changing geopolitics and rising competitiveness, both blocs changed their negotiating positions, and the EU's stance became more strategic, while India's stance became more pragmatic. Both the blocs analyze these 2 decades of delay through their own lenses and blame the domestic politics, willingness, national interest, transparency, and so forth.

### *2.1. Critical Performance Review*

European Commission President Ursula von der Leyen labeled the pact The "Mother of All Deals", which strategically emphasizing that it provides a "rules-based" hedge against global fragmentation. In the current volatile era, the trade agreement is more characterized by analysts as a "strategic breakthrough" rather than a purely commercial deal between the two major economic power. The significance of the agreement can be deeply understand by the analyzing the involvement of 25% of global GDP, which is over 24USD trillion and population of more than 2 billion people (Dutta, A. 2021).

### *2.2. Significance of the EU-India FTA*

We will deeply analyze the significance of the EU-India FTA from different prospective, as significance extends far beyond simple tariff and trade barriers reductions; it represents a fundamental realignment of global trade architecture, which recently experience several turn and twist by global economic powers. With the conclusion of the EU-India Free Trade Agreement on January 27, 2026, bilateral trade has undergone a significant transformation, moving from a substantial tariff setting to a highly interconnected regulatory structure. The tariffs has been reduced for the different goods from both blocs during the negotiation. With an emphasis on certain particular industries, the agreement affects 96.6% of Indian tariff lines and 99.5% of trade value EU tariff lines.

#### *2.2.1. Automotive and Manufacturing Industry*

We are witnessing the impact of this deal, and this industry is crucial. Under this agreement, India's renowned 110% import tariff on imported vehicles has been drastically decreased to 10% under a closely controlled Tariff Rate Quota (TRQ) of 250,000 units annually. The outcome provides a high-end company from Europe another opportunity to enter the Indian market. 90,000 EVs are set aside, but the 10% charge only takes effect after the tenth year to give India's fledgling EV ecosystem time to develop. Quotas for ICE cars are set at 160,000 units annually, with tariffs lowering to 10% within five years. Furthermore, as incentives are limited to vehicles that have a CIF value exceeding €15,000 (Indian Rupees 15.5 lakh), the deal safeguarded the low-cost automotive sector for the Indian manufacturer. Additionally, there are not any exclusions or tariff reductions for "Completely Knocked Down" (CKD) kits or semi-knocked down units to encourage the relocation of manufacturing rather than merely assembly to India. Over the course of five to ten years, duties on auto parts will be completely eliminated, allowing European OEMs who now operate in India, such as Volkswagen and Renault, to integrate their supply chains more deeply.

#### *2.2.2. Labour Intensive Exports (particularly Textiles and Leather Industry)*

Textile and leather industry of India has recently saw dramatic changes due to the geopolitical tension with the Bangladesh and trade policy of the USA. The primary "offensive" benefit of the January 2026 FTA for India involves the textile, clothing, and leather industries. A decade of recession during which Indian exporters lost ground to rivals with special trading classification is intended to be ended by this groundbreaking development. With the immediate removal of the custom duty of 9% - 12% on the textile and leather exports to Europe, as India get the opportunity to compete with the Bangladesh and Vietnam as same as Duty-Free-Quota-Free (DFQF) which provide the level field for competition. However, to limit the benefits to India only, the companies need to process textile with at least two stages of transformation. It is also called "Double transformation" rules of Origin, however, finish leather products gets some concession, 40% local value addition needed to in India to access the 0% duty benefits. Moreover, the non-tariff barriers still have the possibility to limit the access of the market, as according to the EU deforestation rules, the manufacturer need to provide the certificate that cattle rearing do not involved any deforestation. Nevertheless, ILO and transparency on the use of the recycle fabrics and chemicals process act as the extending hand for the Europe as non-tariff barriers if they want to limit the access of European

market to protect their market from the Indian goods. This deals also attract the investor attention for the investment due to the access of the European market. Currently, Indian labor market, skill development, government support and technological development create the perfect production environment.

### *2.2.3. Chemical Market*

The Indian chemicals market has been growing rapidly in the last few decades, with the entry of petrochemicals and specialty chemicals. The Indian chemicals industry is projected to cross the market of \$300 billion by 2030 and can reach the market of \$1 trillion by the 2040s. India's chemicals industry landscape is diversified, largely contributed to by agrochemicals, petrochemicals, specialty chemicals and dyes, pharmaceuticals, and pigments. In the current EU-India FTA deal, the chemical industry is one of the biggest winners; with the 0% tariff, the chemical export will surge exponentially. The "border tax" on chemical trade, which presently makes up a sizable amount of bilateral trade value, is gradually eliminated by the framework agreement. Following a ten-year glide path, India will do away with taxes on EU chemicals, which presently vary between 10% and 22%. Most likely immediately or within three years, the EU will be removing its 6.5% average tariff on Indian chemical shipments. The elimination of duties on polymers and plastics, which were formerly up to 16.5%, would enable India's plastic processing sector to get more affordable raw materials. Moreover, the EU is also helping in the elimination of the non-tariff barriers, as REACH certification is a major barrier for the Indian chemical manufacturers. To qualify for the 0% duty, "Substantial transformation of chemical products needs to take place in the partner country. A suggested range of 40% to 45% local value addition is needed for the majority of chemicals, regardless of whether the raw components have been imported from a third country, such as China, Malaysia and so forth, the good is deemed "originating" if a certain chemical reaction (producing a new structure) takes place within the EU or India.

### *2.2.4. Wine, Spirit and Agriculture*

India has kept the baseline customs tax on alcoholic beverages at 150% for a long time. Prestigious European brands are the main beneficiaries of the FTA's "glide path" to lower tariffs. After approval, tariffs will instantly decrease from 150% to 40%, with an ultimate goal of 20% over a ten-year period for premium bottles. Only bottles having a minimum import price (MIP) are eligible for the incentives in order to safeguard inexpensive Indian producers. For example, wine bottles cost more than \$5, and spirits cost more than \$25 for a 9-liter case. In order to avoid regional duplicates, more than 400 European GIs (such as Champagne, Prosecco, and Scotch Whisky) and 300 Indian GIs (such as Darjeeling Tea) will each have a unique legal defense in their respective markets.

India has stringent "red lines" on basics to prevent peasant suffering in the agricultural industry, which is still extremely vulnerable. Tariffs on European chocolates, biscuits, and confections, which were formerly between 30 and 50 percent, will be eliminated for manufactured items. In order to prevent them from interfering with local harvests, duties on apples, pears, and quinces are only going to decrease throughout the Indian off-season. In stages, tariff elimination will be implemented for some specialized vegetable oils and seeds. India has been effective in keeping rice, meat, dairy, and sugar out of the agreement. To safeguard its own domestic marketplace, the EU has banned certain grain types and delicate poultry. Zero tariffs on the majority of maritime items have been settled upon by both parties, provided that they adhere to stringent labor and sustainability requirements outlined in the Trade and Sustainable Development (TSD) sector. However, there are still several non-tariff barriers that need to be discussed among the blocs, and the issue needs to be resolved to implement the agreement with its spirit.

### *2.2.5. Service and Professional Mobility (IT services)*

The Movement for the Protection of National Individuals, which gives Indian IT professionals operating locally throughout Europe confidence in their rights, is the foundation of the service agreement. As an introduction, executives and specialists from Indian companies (such as TCS, Infosys, or HCL) are now granted three-year work licenses. Importantly, the agreement eliminates a significant barrier to long-term project assignments by granting automatic work permits to spouses and dependents of ICTs. India gained entry into 37 categories, comprising engineering and computer services. During a 24-month period, experts may remain for a maximum of 12 cumulative months. Now, exceptionally skilled independent contractors in 17 sub sectors like software research and development can join the EU for up to six months annually without establishing a local business presence.

## **3. Geopolitical Autonomy, Multi-Alignment and "De-risking"**

India and the EU both have their own long-term strategic planning of their economic development, and it's impacting the geopolitical situation. Different countries analyzed this deal differently and reacted. However, for the EU's Indo-Pacific Strategy, it is a cornerstone and a big breakthrough; it helps the EU to reduce the critical dependencies on China for the manufacturing and digital infrastructure. While India gets the stable marker for their products to protect their manufacturing in the current issue in the US market due to tariff conflicts imposed by the US as a penalty for Russian oil purchases. India also got the advantage in the sector of defense and security, as new security and defense collaboration, increased marine cooperation, and access to cutting-edge European military technologies are all part of the agreement and bring a new production ecosystem culture to India. It will give an extra boost to the increasing export of the defense products from India. Moreover, ASEAN countries like Vietnam, Indonesia, and Bangladesh had the "tariff advantages" over India; with the FTA, India will be more competitive in the garment and footwear industry.

Some analysts consider the deal a tool to divide the BRICS, specifically by pulling India towards Europe to sabotage the attempt of Russia and China to champion the "anti-Western trajectory." Moreover, Europe is trying to create the alternative as the third front with the help of India against China and the USA as the competitors in the trade and geopolitics. It will give leverage to India and Europe to independently choose their domestic and geopolitical policy without considering the pressure from the USA and China. The EU-India FTA can give a major

boost to the India-Middle East-Europe Economic Corridor (IMEC). With the FTA, the trade will increase between the EU and India, which justifies the relevance of the India-Middle East-Europe Economic Corridor (IMEC), and Middle East countries also benefit from the operation of the IMEC. FTA will flow through the Haifa (Israel) and Piraeus (Greece) ports. This binds the interests of Israel, the UAE, and Jordan more tightly to India and the EU, and these countries geopolitically become closer to India. However, IMEC is seen as the counter-strategy to the BRI (Belt and Road Initiative) of China. As it will provide the alternative route of transportation to the Mediterranean and Gulf regions. In the recent development of Indian geopolitics, India is signing several defense and economic deals with the countries of the MEA. The FTA agreement comes at the right time, which will act as a ripple effect on the process of other agreements between India and the countries of the MEA.

The EU-India FTA deeply hurts Pakistan; it increased economic isolation. When India joins the top group of international trade blocs, its "de-hyphenation" from Pakistan is completed. Moreover, it will reduce the dependency of the global south on the USA and China by demonstrating that a developing country can enter into a high-level agreement with the West without surrendering its independence and sovereignty. The domino effects of the EU-India FTA are seen in the acceleration of its own UK-India FTA to prevent British firms from losing market share to EU rivals in the Indian market. In the same line of thought, additional transactions also accelerated.

### *3.1. Impact on India-Russia Relation*

The longstanding India-Russia partnership is complex to study and understand; however, it is very significant to understand the impact of the EU-India FTA on the multi-layered India-Russia relationship. Russia and India operate under a "Special and Privileged Strategic Partnership" that was formed in 2010 and is marked by strong geopolitical, defense, and energy bilateral ties. The connection continues to remain strong despite international tensions and pressure from the US and Europe on India, but India is boosting its purchases of Russian oil. However, the new EU-India FTA forces India to think about the realignment of defense dependency on Russia for military hardware, and European companies provide viable alternatives to India for advanced military technology and hardware. But still, India will maintain their defense ties under the deals signed by both parties for the 10-year military-technical agreement (2021-2031) that emphasizes joint production and technology transfer. Moreover, in the sector of energy, India will still look to Russia as a reliable partner for energy security and requirements despite the pressure from the US and EU. Moreover, India acts as a "stabilizing actor" and bridge between the West and Russia. Sino-Russia relations have been growing extensively on all fronts in recent years, and they can threaten India's future vision of a Russia-India partnership. Thus, the EU-India FTA can work as a balancing effect on the increasing influence of Beijing on Moscow.

### *3.2. Challenges for India and European in Implementation of FTA*

Despite being called the "Mother of all Deals," the EU-India FTA faces numerous technical, political, and regulatory challenges that could delay the full implementation of the agreement. According to the current forecast, it has been projected that by early 2027 the agreement can be fully implemented.

The major challenges in the implementation of the agreement will be the green protectionist wall (Carbon Border Adjustment Mechanism), non-tariff barriers, domestic opposition/backlash, and institutional hurdles from either bloc. Firstly, the EU focuses more on the carbon cut and green manufacturing. In Europe, domestic manufacturers pay the carbon tax, which impacts the cost of manufacturing, and to make the cost of goods competitive, the imported products need to pay extra taxes, which is not applicable in India on imported goods. Therefore, Indian-manufactured products like engineering, steel, aluminum, and other sectors face carbon-related costs, which may reduce the advantage of the reduction in the tariffs under the agreement.

Secondly, technical standards often act as de facto barriers that can be used to restrict the trade and limit the benefits of the agreement for a particular party, such as India and Europe, which have different sanitary standards for foods and agricultural-related products. The level of the implementation/dosages of chemicals approved by local health authorities in the EU and India are different, and thus, the residual of pesticide and other chemicals on the agricultural products are different. Which can cause the regular rejection of the Indian agricultural products in EU customs clearance. Similarly, EU Deforestation Regulations (EUDR) and labor rights (ILP Core Convention) raised difficulty in the documentation process for the small and medium manufacturer and brought hurdles in the export to the EU market. Exported products must meet strict product-specific rules (rules of origin) to prevent "trade deflection," such as a third-country product routed through India to get the benefit of a 0% tariff. An instance that continues to affect IT services under the new FTA was set in April 2025 when the European Data Protection Supervisor rejected data transfers to India due to uncertainties about the robustness of India's framework. Which also raised questions on the digital trade and data mobility between both blocs. In conclusion, SPS (Sanitary and Phytosanitary), TBT (Technical Barriers to Trade), RoO (Rules of Origin), digital trade and data mobility, and sustainability and social standards cause non-tariff barriers, which need to be resolved in order to implement the FTA in true spirit.

Thirdly, the deal has substantial interest groups in both of these areas that have reacted disproportionately to the deal. In India, the Communist Party of India (Marxist) officially labeled the agreement as a "wholesale surrender" of India's economic interest, as a reduction in the tariffs on the automobile and spirit industries will negatively impact the livelihoods of workers and average people while solely benefiting those with significant assets. The Indian National Congress criticized the EU's Carbon Border Adjustment Mechanism (CBAM) as a discriminatory financial burden, claiming it escalates export prices for Indian goods despite the free trade agreement. They have criticized the current administration for "rushing" toward an agreement that prioritizes corporate interests above domestic industry and demanded a more careful approach. The harshest critic is the Samyukt Kisan Morcha (SKM), the leading unified group of farmer organizations in India. They have denounced the FTA as a "blueprint for economic colonization," highlighting that it represents a methodical corporate takeover of the Indian economy. Farmers anticipate that the removal of taxes on sheep meat (33% to 0%) and processed foods (50% to 0%) would flood Indian markets with subsidized EU goods, crashing down prices within the country and putting the Indian farmer in the backseat of economic development. Another concern of the farmers is

"TRIPS-plus" clauses, which have the potential to criminalize Indian farmers' customary rights to conserve and reuse seeds by enforcing European seed and agrochemical monopolies.

Last but not least, some critics in India and Europe, including CPI (M), and several countries have also criticized the contract because of its strategic linkages to the IMEC corridor, which they claim strengthens relations with Israel at a time when the world is condemning the Gaza conflict. While being submitted to the European Parliament and member states for ratification, the protocol must still go through "legal scrubbing" and be translated into 24 official languages, which delays the implementation of the agreement. Moreover, European agricultural and environmental lobbyists are nevertheless keeping constant tabs on how sustainability aspects are being implemented.

#### **4. Conclusion**

In conclusion, India-EU FTA trade agreements are having an assortment of beneficial effects on the European and Indian markets; nevertheless, both blocs must confront and overcome these obstacles in order to implement the true essence of the agreements. Furthermore, the fulfillment of the agreements is made more crucial by today's catastrophic geopolitical circumstances. Nevertheless, in the future, both blocs may be able to gain a more integrated and close corporation, which will open up new opportunities for both blocs at level of trade and politics.

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