

After twenty years of deadlock, the EU and India reach a landmark agreement

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After nearly twenty years of stop-start negotiations, the EU and India have finalized one of the most ambitious free trade agreements (FTAs) of the last decade, opening up their markets while protecting sensitive sectors. The benefits are expected to be gradual, but already offer tangible prospects for goods, services, and investments on both sides.

Key numbers :

- **97%:** level of tariff openness on both sides
- **50%:** US tariffs applied to India since 2025... up to a another new trade agreement US/India announced in February
- **144:** number of service sub-sectors covered by the agreement

Twenty years of waiting for a strategic shift

After nearly twenty years of negotiations, interrupted several times since 2007, the European Union and India have finally managed to conclude a free trade agreement of exceptional scope. Discussions had stalled for years over access to the automotive, agricultural, and dairy markets, before resuming in 2022 and suddenly accelerating in 2025.

The stakes are high: together, the EU and India account for nearly a quarter of global GDP and a third of international trade. The agreement aims to structure and secure an already rapidly expanding trade relationship, with the EU having been India's largest trading partner since 2006.

A massive opening agreement in a tense geopolitical context

The agreement establishes an unprecedented level of trade openness: the EU is liberalizing 97% of its tariff lines for Indian exports—91% of which immediately—while India is gradually reducing its duties on more than 97% of European imports, with key advances in services, intellectual property, and several strategic sectors, despite protections for automobiles, agriculture, and steel.

Its signing responds to an unstable geopolitical environment: since 2025, the United States has imposed cumulative duties of 50% on Indian exports, the partial loss of the GSP (General System of Preferences) has weakened India's access to the EU market, and New Delhi is seeking to secure a more stable framework. For the EU, the agreement is part of a strategy of diversification, trade autonomy, and reaffirmation of free trade in the face of global tensions.

This agreement marks a turning point for both the European and Indian economies: it redefines market access, secures key value chains, and, for the first time in two decades, creates a trade framework capable of cushioning geopolitical shocks.

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An ambitious agreement but persistent structural risks

While the agreement opens up markets significantly, it comes with substantial risks that could dampen its economic effects.

Economic and sectoral risks

In key sectors such as [automobiles](#), the reduction in Indian tariffs—from 70–110% to 10%—offers a real opening, but it is insufficient to break the structural constraints of the market: over-dominance of two-wheelers (80% of sales), low car ownership rates, high concentration of local manufacturers, and quotas limited to 250,000 vehicles per year for European exports.

In the [steel](#) and [chemicals sectors](#), Indian producers will remain subject to the strictest European standards, in particular the carbon border adjustment mechanism (CBAM), the application of which could generate additional costs of more than €200 per ton for certain steels. The EU is planning to provide €500 million in support for decarbonization in India, but these amounts will not be enough to fully offset the effects of the new constraints.

Risks related to global demand

In the [textile/clothing](#) sector, the gains from duty-free access to the EU could be limited by persistently weak European demand, as well as by competition from suppliers benefiting from preferential access until 2029 (Bangladesh in particular).

Political and implementation risks

The precedent of EU–Mercosur, which remains blocked, shows that an agreement can remain suspended despite a political signature. Although the absence of sensitive agricultural products makes the EU–India agreement less exposed, the possibility of a political setback cannot be ruled out. On the Indian side, the risks are lower, but parallel measures—such as improving business visas—depend on member states and may not be implemented quickly, creating tensions and delays.

Timing risks

The extent of the benefits will depend heavily on the pace of implementation: in several sectors, tariff reductions will be spread over 5 to 7 years, or even longer (plastics). This creates a risk of disappointment for European companies, which may only see the benefits in the long term, while certain regulatory constraints apply immediately.