



India–EU FTA will be a partnership of potential, promise and shared progress

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Strong economic and strategic rationales support the need for India and the EU to finalize an FTA as soon as possible. India-EU FTA holds potential to enhance merchandise bilateral trade to USD 250 billion by 2030-31 from the current level of USD 136 billion in 2024-25.

India and European Union, the two largest democracies in the World, representing about 2 billion people and about 21% of World GDP, are poised to redefine global trade trajectory with a new era of economic partnership to leverage their high trade and investment potential.

As the global economic environment is in a great shift driven by escalating geo-political tussles, new alliances and changes in policy regimes, India-EU FTA is expected to mitigate the impact of monopolistic tendencies of large economies and optimise the resource based complementarities. After more than a decade of recurrent talks, both sides are now committed to concluding the deal by the end of 2025.

With the EU with a size of USD 20 trillion (approx.) already being one of India's largest trading partners and India world's fastest-growing economy among the major economies with a size of USD 4 trillion, a comprehensive FTA promises not just economic growth but also a strategic rebalancing of global supply chains, technology partnerships, and sustainable development pathways.

A Multi-Billion Dollar Relationship

Over the past five years, total bilateral merchandise trade has grown by nearly 36%. India's 16% merchandise exports are towards EU. The bilateral merchandise trade between India and EU has increased from USD 90 billion in 2020-21 to USD 136 billion in 2024-25 with an increase of 36% during the last five years. India's merchandise bilateral trade with EU expanded higher as compared with India's bilateral merchandise trade with USA. India's trade with USA expanded by 32% from USD 89 billion in 2020-21 to USD 132 billion in 2024-25. With the signing of FTA between India and EU, the merchandise bilateral trade trajectory is expected to expand more than USD 250 billion by 2030-31. The services trade between India and EU is at around USD 52 billion which is expected to expand significantly to the level of USD 100 billion by 2030-31.

India – EU bilateral merchandise trade trajectory

Year	Export	Import	Total Trade
2017-18	44	43	87
2018-19	48	51	99
2019-20	45	45	90
2020-21	41	40	81

2021-22	65	51	116
2022-23	75	61	136
2023-24	76	61	137
2024-25	76	60	136

Source : Ministry of Commerce & Industry, Government of India

Figures are rounded off

The Diversified Export Basket

Indian exports to the EU have diversified over the years. The share of top 20 items is about 83.6% in total exports. These items are combination of traditional labour-intensive goods (like textiles, jewellery, and footwear) with high-value exports (such as electronics, machinery, and chemicals). Notably, pharmaceuticals, IT services, and organic chemicals have driven India's export competitiveness, while gems and jewellery continue to reflect the craftsmanship that bridges tradition with global demand.

India's merchandise exports to EU (Top 20 Items at 2 Digits level)

Sr.No	Major Items of exports (HS 2 Digits)	USD Billion
1	MINERAL FUELS, MINERAL OILS AND PRODUCTS	15
2	ELECTRICAL MACHINERY AND EQUIPMENT AND PARTS	11
3	ORGANIC CHEMICALS	5
4	NUCLEAR REACTORS, BOILERS, MACHINERY AND MECHANICAL APPLIANCES	5
5	IRON AND STEEL	3
6	PHARMACEUTICAL PRODUCTS	3
7	NATURAL OR CULTURED PEARLS,PRECIOUS OR SEMIPRECIOUS STONE	2.5
8	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, NOT KNITTED OR CROCHETED	2.3
9	ARTICLES OF APPAREL AND CLOTHING ACCESSORIES, KNITTED OR CORCHETED.	2.3
10	VEHICLES OTHER THAN RAILWAY OR TRAMWAY ROLLING STOCK, AND PARTS	2.2
11	ARTICLES OF IRON OR STEEL	1.8
12	AIRCRAFT, SPACECRAFT, AND PARTS THEREOF.	1.6
13	RUBBER AND ARTICLES THEREOF.	1.4
14	OPTICAL, PHOTOGRAPHIC CINEMATOGRAPHIC MEASURING	1.3
15	ARTICLES OF LEATHER,SADDLERY AND HARNESS;TRAVEL GOODS, HANDBAGS	1.1
16	OTHER MADE UP TEXTILE ARTICLES	1.1
17	PLASTIC AND ARTICLES THEREOF.	1.1
18	FOOTWEAR, GAITERS AND THE LIKE; PARTS OF SUCH ARTICLES.	1.0

19	COFFEE, TEA, MATE AND SPICES.	1.0
20	ALUMINIUM AND ARTICLES THEREOF.	0.9
Total of top 10 items		63.6
India's total merchandise exports to EU		76
Share of top 20 items in total exports to EU		83.6%

Source : Compiled from Ministry of Commerce , Government of India

Note : Figures are rounded off

The EU is a crucial source of advanced industrial inputs and high-technology products for India. The major imports include machinery, nuclear reactors, and boilers – essential for India’s manufacturing and energy industries. Electrical machinery and electronics – supporting India’s growing technology and renewable energy sectors. Medical and optical equipment – contributing to healthcare modernization. Pharmaceutical products and organic chemicals – serving as raw materials for India’s vast chemical and drug industries. Aircraft, vehicles, and transport equipment – reflecting the EU’s role as a leader in high-end engineering. These imports strengthen India’s industrial capabilities and align with national priorities such as Make in India and Atmanirbhar Bharat by integrating global supply chains with local production.

India-EU bilateral Investments

EU investment in India stands at over USD 117 billion, making the EU one of India’s largest foreign investors. India’s investment in the EU is valued at USD 40 billion, highlighting India’s expanding global footprint, particularly in IT, pharmaceuticals, and green energy. Joint investments now focus on sustainable urban development, renewable energy (solar and wind), waste management, and digital infrastructure.

The Free Trade Agreement: Promises of Progress

The India–EU FTA negotiations began in 2007 but stalled in 2013 due to “a gap in ambition.” Talks resumed in 2022, and since then, 13 rounds of negotiations have been completed, with the 14th round beginning in October 2025. Key chapters already closed include customs and trade facilitation, intellectual property rights, transparency, and dispute settlement mechanisms. Both sides aim to finalize the FTA by December 2025, which would mark one of the most significant bilateral trade pacts in India’s modern history.

Strategic Drivers Behind Renewed Engagement

As EU witness sluggish economic growth, rising geo-politics, protectionism and dependence on some economies, India is a strong alternative, being the most promising, highly progressive and fastest growing economy among the major economies. On the other hand, India-EU FTA will boost India’s competitiveness in the global marketplace. Also, as the global uncertainty is on the rise, Russia-Ukraine war, supply chain disruptions, among others, India-EU FTA will mitigate the impact of such headwinds. As India has already signed FTAs with UK and EFTA block, FTA with EU will further strengthen the supply chains trajectory and enhance the gains from already signed FTAs with Europe.

Potential Economic Gains from the FTA

A comprehensive India–EU FTA will deliver transformative benefits across multiple dimensions. It will provide enhanced market access, reduced tariffs on manufacturing sectors such as textiles, pharma, among others along with opportunities for IT sector to penetrate into EU’s vast market. India will attract lot of FDI coming into India’s industrial and services sectors with legal certainty and investor protection. India will be benefitted by greater participation in

the GVCs through EU manufacturing supply chains. Also, the access to green and high-end technologies will accelerate India's industrial development.

For European Businesses, there are tremendous opportunities in telecommunications, finance, and logistics along with manufacturing Expansion such as greater participation in India's production ecosystem through joint ventures. The increased flow of goods and competition will reduce costs and expand product variety in both markets. The export-led growth and FDI inflows will create new employment avenues in India and strengthen the resilient Supply Chains and provide scope for diversification away from China-centric production.

The Way Forward for a 21st-Century Partnership

India- EU FTA will be a historic FTA and unique in its nature as India and EU together contribute about USD 24 trillion in global GDP which is about 21% of the total USD 113 trillion global GDP (2025). India-EU FTA will be one of the largest free trade corridor globally.

Considering the global economic developments vis-à-vis geo-political tussles, shifting alliances and shifting economic policies framework, India-EU FTA becomes a strategic necessity rather than a choice. This potential partnership has potential to become an epicentre of new multipolar economic regime. The India-EU FTA will not only be demystifying the potential but also establish a partnership of opportunities & resilience and lead the new world economic order and boost the growth trajectory and influence of the emerging economic powers.

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