

TRADE AND PRODUCT REGULATORY UPDATE

January 30, 2026

India - European Union FTA

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India and European Union ('EU') have announced the conclusion of a free trade pact on January 27, 2027 with EU becoming India's 22nd Free Trade Agreement ('FTA') partner. Besides the traditional merchandise trade access, the agreement encapsulates a long-term co-operation in the areas of technology, defence, standards, IP, and services, beyond traditional market access. Under the pact, over 99% of Indian exports will gain preferential entry into the EU boosting Indian exports worth USD 75 billion.

The key highlights of the proposals in the agreement from a merchandise trade and product regulations perspective are summarized below:

- **Tariff liberalization:** India will eliminate tariffs on 86% of tariff lines, and 93% in terms of value, while the EU will eliminate tariffs on over 90% of tariff lines, and 91% in terms of value. Including additional partial liberalization, the overall coverage of trade liberalisation is 96.6% for India and 99.3% for the EU. The key sectoral coverage is enlisted below:

A. EU to India:

- Immediate tariff elimination:** Textiles, leather and footwear, tea, coffee, spices, sports goods, toys, gems and jewellery and certain marine products etc.
- Phased duty elimination over 3 and 5 years:** Certain marine products, processed food items, arms and ammunition etc.

iii. Tariff reduction: Certain poultry products, preserved vegetables, bakery products etc.

iv. Phased tariff reductions through Tariff Rate Quota ('TRQ'): Cars, steel, certain shrimps/ prawns' products etc.

v. Restricted access: Dairy, cereals, poultry, soymeal, certain fruits and vegetables, etc.

B. India to EU:

- Immediate tariff elimination:** Chemicals, plastics, textiles and apparels, ceramics, machinery, boats, olive oil, processed food.
- Phased duty elimination/ concession over 5, 7 and 10 years:** Cosmetics, plastics, car parts, machinery, olive oil, non-alcoholic beer and several fruit juices, processed food, sheep meat.
- Phased tariff reductions through Tariff Rate Quota ('TRQ'):** Wine, spirits, beer, certain fruits.
- Restricted access:** Sugar and ethanol, rice and soft wheat, beef and poultry, milk powders, banana, honey, table grapes and cucumbers.

- **Alignment of Product Specific Rules with Supply chains:** Rules are designed to encourage value addition within the partner countries with flexibility to MSMEs. The trade pact will further facilitate ease of doing business by reducing the time and associated cost of compliance for Indian exporters by allowing self-certification through a Statement on Origin.

- **Non-tariff barriers:**
 - **Carbon Border Adjustment Mechanism:** The agreement secures Most-Favor'd-Nation (MFN) assurances for India, extending any flexibilities granted by the EU to third countries. Additionally, a framework for enhanced cooperation on the recognition of carbon prices, verification protocols, and financial assistance to help Indian exporters reduce greenhouse gas emissions is in pipeline.
 - **Sanitary and Phytosanitary (SPS):** The agreement advances regulatory cooperation and streamlines procedures. The EU will protect its SPS standards and rules on animal and plant health, with no exception.
 - **Technical barriers to trade:** Incorporates the commitments under the WTO Agreement and makes it subject to bilateral dispute settlement under the FTA. A dedicated Working Group on Conformity Assessment will be formed, tasked with addressing issues related to the conformity assessment procedures of each party, including the Indian system of Quality Control Orders.
- **Other key aspects other than merchandise trade:**
 - **Services:** India has secured access to 144 EU subsectors (including IT/ITeS, professional services, and education while India has opened 102 subsectors to the EU (including telecom, maritime, and finance)
 - **Mobility:** A comprehensive mobility framework has been established to enable the seamless movement of skilled Indian professionals. This includes specific provisions for **independent professionals** across **17 sub-sectors** to provide services to EU clients.
 - **Traditional Medicine (AYUSH):** AYUSH practitioners can practice in EU states without specific local regulations using their Indian qualifications.
 - **Intellectual Property:** Reinforces TRIPS protections across copyrights, trademarks, designs, and trade secrets
 - **Digital and SME Focus:** The pact covers modern trade elements such as Digital Trade and provisions specifically designed to benefit Small and Medium Enterprises (SMEs).

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The India-EU trade pact, termed as ‘mother of all deals’ is a transition to a high-compliance, high-value trade corridor and is expected to provide a trade impetus between both parties in coming years. As a formalized partnership between the world’s 4th and 2nd largest economies, this pact provides a critical structural balance for businesses navigating the current landscape of global protectionism and shifting tariff regime.

While the final agreement is yet to be finalized, ratified and notified in public domain, it is expected to deliver the predictability and legal certainty Indian businesses need to scale operations across the EU bloc. The fine print will further help to understand the practical effectiveness of the trade pact.

With the policy in place, the interim period services an opportunity for Indian businesses to strategize and explore the opportunities to expand to EU markets.

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