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Historic EU pact to reshape global trade

Guest Column

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India and the European Union have concluded a landmark free trade agreement (FTA), marking a significant moment in India's economic diplomacy.

It brings together the world's fourth-largest economy and second-largest economic bloc, creating a transcontinental market that accounts for nearly one-third of global trade and about 25 per cent of global GDP.

Covering nearly 99 per cent of India's exports, the agreement grants preferential access to roughly \$75 billion worth of Indian goods across 27 EU member states with a combined economic output of nearly \$20 trillion.

Unprecedented scale

The sheer magnitude of the India-EU FTA sets it apart from previous trade agreements.

Tariff liberalisation spans nearly all Indian exports to the EU, including textiles, gems and jewellery, engineering goods, chemicals, pharmaceuticals and marine products.

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Average applied duties on several labour-intensive exports are set to fall sharply, strengthening India's competitiveness. For European exporters, India will phase down tariffs, opening opportunities across several products.

Innovation meets scale

The agreement draws strength from the complementary nature of the two economies. The EU brings advanced technology, capital intensity and regulatory sophistication, while India offers scale, cost competitiveness and a deep talent pool in manufacturing and digital services.

Stronger intellectual property frameworks and patent cooperation

are expected to stimulate collaboration in pharmaceuticals, biotechnology and advanced manufacturing.

Joint focus areas such as artificial intelligence, semiconductors and clean technologies position both partners to compete more effectively in future-oriented sectors. Indian engineering and manufacturing stand to gain from improved access and regulatory clarity, enabling firms to move up the value chain.

India already enjoys strong complementarities with the EU in services such as IT and digital and professional services, engineering, financial and emerging knowledge-based sectors.

The agreement will unlock this potential by improving market access for over 144 sub-sectors, creating more predictable regulatory frameworks, promoting recognition of professional qualifications and temporary movement of skilled professionals.

Strategic diversification

The FTA deepens India's strategic and economic diversification. Expanded access to EU markets reduces over-reliance on a few trading partners. Textiles and apparel gain preferential entry into one of the world's largest consumer markets, while EU firms gain structured access to India's fast-growing demand base.

Provisions covering services, investment facilitation and SME cooper-

ation further strengthen institutional linkages. By integrating trade, technology, sustainability and regulatory cooperation, the agreement transcends traditional tariff-centric models and establishes a long-term framework for economic partnership. Cooperation on climate-aligned standards, responsible supply chains and digital trade adds strategic depth to the partnership.

A 'living agreement'

The India-EU FTA has been structured as a "living agreement." Built-in mechanisms for periodic review, consultation and dispute resolution allow both sides to recalibrate commitments with evolving economic conditions. This flexibility is significant amid global uncertainty from shifting tariff regimes to supply-chain disruptions and emerging regulatory standards. By embedding continuous dialogue and adaptive governance, the agreement is designed to remain relevant in a fast-changing global economy.

The FTA marks a decisive step in India's evolution as a global economic actor. Anchored in scale, flexibility, complementarity, shared values and diversification, it reflects a mature trade strategy aligned with a multi-polar world. More than a commercial pact, it signals India's readiness to play a central role in shaping the future architecture of global trade.