India and the EU's 'Mother of All Deals': A Strategic Move Beyond Trade and Economy

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Executive Summary

In January India and the European Union concluded negotiations for a landmark Free Trade Agreement after nearly two decades of intermittent talks. The agreement grants both parties major preferential market access while safeguarding sensitive sectors, ensuring a calibrated approach to domestic political and economic concerns.

This FTA comes at a time when the global trading system is under stress from prevailing sentiments of protectionism and unilateral tariff actions. Due to the United States' steep tariffs, both India's and the EU's exports have dwindled. After nearly two decades of stagnation, FTA negotiations between India and the EU concluded in 2026, signalling a broader strategic push toward market diversification and resilience in an uncertain global trade environment. Though economically this agreement promises expanded market access for India, much of this would depend upon the convergence with the EU's regulatory structure. For the EU, the agreement presents an opportunity to diversify its supply sources. In terms of global economic governance, the FTA signals a renewed commitment to a rules-based trade and global order between the two major economies.

Introduction

On January 27th 2026 India and the European Union (EU) concluded negotiations and signed a Free Trade Agreement (FTA) in New Delhi. Talks for this FTA began in 2007, were suspended in 2013, and resumed in 2022. Under the agreement, the EU provides preferential access to 97% of India's tariff lines, covering 99.5% of trade value, while India has granted tariff concessions on 92.1% of its tariff lines, covering 97.5% of EU exports.[1] These commitments will gradually be implemented through the elimination of immediate tariffs and phased reductions with a timeline of around 10 years.

At the same time, both parties have protected their sensitive sectors. To do so, India maintained the existing tariff structure for dairy, cereals, poultry, soymeal, and select fruits and vegetables. In the same way, the EU did not provide preferential access to India for several commodities such as beef, sugar, rice, chicken meat, and milk powders, etc[2]. The recently negotiated FTA, the largest such deal ever as claimed by both sides, will provide greater market access and strengthen economic ties between the world's second and fourth-largest economies. Because of

the depth and coverage of this rules-based trade framework, experts consider it one of the most significant trade deals, or, colloquially, *"the Mother of All Deals*."

This agreement holds several implications for global economic governance. This agreement itself may be taken as a model of the Global North-South cooperation. Securing a sustainable supply-chain and diversification of the same is a matter of great significance. The agreement may signal the continued relevance of the bilateral frameworks even amid pressures on multilateral trade institutions.

The success of an FTA does not depend on the headline announcement; it also depends on the many factors beyond tariff relaxations. The regulatory regime, or the rules and regulations governing the trade, may dampen the economic benefits arising from the agreement. Hence, the successful implementation and operationalization of the agreement would depend on how the two parties streamline or converge the standards.

One interesting point to be noted is that the EU is one of India's biggest trading partners in terms of exports, but it is not the same for the other way around. The EU exports more to Norway than to India. In other words, as of now, India is not the EU's top export destination. In this backdrop, this deal becomes more interesting to analyze.

Analysis

In a global environment marked by growing pressure on the multilateral trading system and a rise in unilateral protectionist measures, the conclusion of the India-EU deal carries particular significance. This deal was concluded when both contracting parties were facing US tariffs. The US has been one of the major trade partners for both India and the EU, however India faced a 50%[3] tariff on its exports to the US, while the EU levied a flat 15% duty.

These tariff shocks erode the price competitiveness of India's exports to the US in labor-intensive sectors such as textiles and garments, gems and jewelry, footwear, processed food, etc. India needs to explore alternative markets for its exports amid uncertain US exports. Similarly, the EU's exports to the US also face strain. In terms of bilateral trade, India exports around 17-18% (~75$ billion) of its total exports to the EU, while the EU exports (~52$ billion) to India around 8-9% only[4]. This trade relationship seems to be favourably skewed towards India. Hence, a scope is visible for the EU to further expand its foothold in the Indian market.

In such a scenario, it is predictably natural for both parties to come together to absorb these shocks. Although both parties had resumed negotiations earlier, the process was accelerated after February 2025 to diversify their export and import markets.[5]

Though the undeniable economic benefits of the IND-EU FTA range from tariff relaxations to people-movement to investment (as committed under the agreement), the road ahead may not be smooth to realize the gains.

One bottleneck is the standards and regulations of the exporting and importing economy. Certain regulatory measures in the EU, such as the EU Deforestation Regulation (EUDR), the Corporate Sustainability Due Diligence (CSDD), create a kind of non-tariff barrier for India's exports to the EU[6]. On the other hand, India has been adopting several Quality Control Orders (QCOs) for domestically manufactured goods as well as imports to ensure the product standards and quality. These QCOs also work as non-tariff barriers for imports.[7] Hence, this divergence among the standard procedures and their effect on the value chain participation may dilute the effectiveness of the FTA.

Policy Implications

The Ind-EU FTA carries implications that are beyond tariff liberalization. The implications can be assessed across key actors.

For India

- Expanded market access for India in one of its largest export destinations, particularly for labor-intensive sectors, such as textiles, gems and jewelry, footwear, etc.
- The FTA may enhance India's supply chain integration with the EU. At a time when India wishes to present itself as an alternative global manufacturing and sourcing hub beyond China, deeper engagement with the EU may support technology transfer, standards alignment, and participation in global value chains.
- The agreement poses regulatory convergence pressures for India. Compliance with EU standards, especially in sustainability, carbon adjustment, and due diligence frameworks, will require domestic institutional support. Policymakers must provide the required stimulus for compliance, alongwith the investment in the infrastructure.
- For India, its economic insecurity comes from Chinese dominance and dependence. The IND-EU deal will open a substantial market for it. Hence, India is seeing this deal as a long-term strategy to counter China in this domain.

For the European Union

- Preferential access to the Indian market provides commercial opportunities in automobiles, machinery, green technologies, and high-value manufacturing. It may be significant amid the slowing economic growth of the EU.
- Deeper integration with India aligns with the EU's broader Indo-Pacific engagement strategy. The agreement may strengthen the EU's attempts to reduce supply-chain vulnerability amid Chinese export controls, thereby reducing exposure to single-country dependence.

For Global Economic Governance

- The IND-EU FTA gives hope for a rule-based order, especially in the context of increasing global uncertainty. A clear signal has been transmitted that though multilateralism seems to be shattering and not in good shape, the countries still may count on it, and unilateral protectionism cannot be the answer to prevailing economic conditions, such as unemployment, slow growth, and staggering trade, etc.
- A comprehensive FTA negotiation, covering several issues and goods at a very disaggregated level, is time-consuming and a tedious process for the parties involved. But recently, the US has done quick trade agreements with several of its trading partners, including Indonesia, Vietnam, Japan, etc., mockingly labeled as Napkin Deals, which offer a preferential offer of a flat import duty across the product range. Such quick deals may not be warranted, as it ignores the sensitive sectors of trading partners. Against this backdrop, the IND-EU FTA seems like a reference point that maintains the balance between preferential market access and domestic sensitivities.
- The EU has not been comfortable with India doing trade and business with Russia, but the FTA signals an accommodative stance of the EU regarding India and Russia. This is a signal that the countries must explore pragmatic ways to achieve economic security.

Conclusion

The India-EU FTA presents opportunities beyond a tariff-reduction routine. For India, it offers expanded market access and an opportunity for deepen integration into global value chains, provided domestic regulatory ecosystem keeps pace with the EU's regulatory expectations. For the EU, the agreement promises for supply-chain diversification, while strengthening engagement with a key Indo-Pacific partner. Yet, the real test will lie in implementation: aligning standards, managing sensitivities, and sustaining institutional dialogue. If carefully executed, the agreement can evolve into a durable economic partnership and present a good model of cooperation.

References

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The brief lacks analytical rigor, precision, and any real policy depth. It reads more like an advocacy commentary than a policy brief. Entirely missing from the brief is a consideration or discussion of implementation challenges, potential political resistance, expected economic impact, and conflicts between regulatory and standards. The author also seems to use quite a few awkward expressions and phrases, although these issues are relatively minor compared to the more glaring analytical problems. I think this brief needs a major rewrite before it should be considered.

To Abdul: I think all your concerns have been addressed now. Please have a look at them. Thanks

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