

## Historic India-EU Free Trade Agreement Finalised Amid U.S. Tensions

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After nearly **20 years of negotiations**, India and the European Union have concluded talks on a **landmark Free Trade Agreement (FTA)**, officials announced on Tuesday. The deal — set to be formally unveiled soon — marks a significant milestone in economic diplomacy between New Delhi and the 27-nation European bloc.

The agreement comes as both partners seek to deepen economic engagement and diversify global trade ties in the face of rising tensions with the United States over tariffs and stalled bilateral trade talks.

### **Economic Stakes: 25% of Global GDP and a Huge Market**

Combined, India and the EU represent roughly **25% of global GDP** and close to **2 billion consumers** — a massive market for goods and services. Trade between the two sides reached **\$136.5 billion in the fiscal year ending March 2025**, making the EU India's largest trading partner.

Under the agreement, many tariffs will be reduced or eliminated, expanding access for exporters on both sides. While detailed terms are still being finalised, sectors like automobiles, machinery and chemicals could see significant gains. Sensitive areas such as agriculture and dairy are expected to remain mostly outside the initial liberalisation to protect domestic producers

### **Strategic Timing and Global Trade Shifts**

The conclusion of talks coincides with a shift in global trade alliances. Europe has recently pursued major pacts with partners including *Mercosur*, *Indonesia*, *Mexico*, and *Switzerland*, while India has signed agreements with *the UK*, *New Zealand*, and *Oman* to broaden its export horizons.

Both New Delhi and Brussels have framed the FTA as “forward-looking,” aiming to boost investment, streamline supply chains, and reduce dependency on volatile trade with the United States — particularly in sectors hit by steep U.S. tariffs.

### **Next Steps: Legal Review and Implementation Timeline**

Before it enters into force, the agreement will undergo **legal scrutiny**, expected to last several months. Officials from both sides indicate that **full implementation could take up to a year** once the text is formally signed.

Prime Minister **Narendra Modi** and European Commission President **Ursula von der Leyen** are expected to provide full details at a high-level summit in New Delhi, underscoring the strategic importance of the pact.

### **Impact on U.S.–India-EU Relations**

The timing of the deal comes amid ongoing **strained relations with the United States**, where recent trade negotiations have faltered and tariffs on Indian goods remain a point of contention. The new India-EU FTA is widely seen as part of a broader strategy by Delhi and Brussels to hedge against protectionist pressures from Washington.

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