



International Journal of Innovative Research in Science Engineering and Technology (IJIRSET)

(A Monthly, Peer Reviewed, Refereed, Scholarly Indexed, Open Access Journal)



Impact Factor: 8.699

Volume 15, Issue 3, March 2026

Contentious Issues of Free Trade Agreement of India with European Union

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ABSTRACT: The proposed Free Trade Agreement (FTA) between India and the European Union (EU) is a critical initiative aimed at deepening economic and strategic relations between the two partners. Although negotiations began in 2007, progress has been hindered by divergent priorities, regulatory asymmetries, and political economy constraints. This paper analytically examines the contentious issues surrounding the ongoing India–EU FTA talks, highlighting the economic, policy, and sustainability challenges that define the negotiation landscape. The study relies on secondary data from policy briefs, institutional reports, and academic research to explore major areas of contention. The EU seeks enhanced market access for industrial and agricultural products, while India emphasizes liberalization in the services sector—particularly professional mobility and digital trade. Disputes persist over agricultural tariffs, intellectual property protection, data adequacy, and mutual recognition of professional qualifications. A key challenge is the EU’s Carbon Border Adjustment Mechanism (CBAM), which imposes carbon-related import tariffs that India views as discriminatory toward developing economies. Despite these differences, the FTA holds significant potential. It could expand bilateral trade beyond the current USD 137 billion, stimulate investment, and strengthen cooperation in green technology, supply-chain diversification, and digital innovation. The paper concludes that a phased and flexible negotiation framework, allowing for transitional compliance and sector-specific liberalization, is essential for achieving a balanced and equitable agreement. If successfully concluded, the India–EU FTA could become a cornerstone for sustainable economic growth and a model for inclusive globalization.

KEYWORDS: India–EU Trade Relations, Free Trade Agreement, Carbon Border Adjustment Mechanism, Trade Liberalization, Sustainable Development.

I. INTRODUCTION

An agreement between two or more nations to lower or do away with trade restrictions like tariffs and quotas is known as a free trade agreement (FTA). In addition to facilitating cross-border trade, these agreements may contain clauses pertaining to intellectual property, investment, and other business-related topics. Their objective is to foster global commerce and business relationships among the participating nations.

The functions of FTA(free trade agreements)

- Reduce trade barriers: FTAs make it easier and less expensive to trade products and services by lowering or eliminating tariffs, quotas, and other import and export restrictions.
- Encourage services and investment: In addition to products, free trade agreements (FTAs) frequently contain provisions that facilitate the operations of service sectors (such as technology and finance) in other member nations and draw in foreign capital.
- Preserve intellectual property: Generally, agreements contain clauses aimed at preserving and upholding intellectual property rights within one another's borders.
- Promote procurement: Nations may allow companies from other member nations to participate in their public procurement market places.

Volume 15, Issue 3, March 2026**|DOI: 10.15680/IJRSET.2026.1503082|****II. LITERATURE REVIEW**

European Parliament brief (2024) — EU-India free trade agreement — concise policy brief reviewing negotiation history, scope and political constraints.

Brief note: Summarizes resumed talks (post-2021), highlights core negotiation clusters (goods, services, investment, GIs), and flags political economy constraints in both blocs (tariffs, regulatory alignment, investment protection). Good for an authoritative timeline and EU negotiating positions. [European Parliament](#)

Europarl study (2020) — Assessing the potential impact of an EU-India trade agreement — economic modelling of FTA effects.

Brief note: Provides scenario-based estimates of trade and welfare effects, underlines that services liberalization is important for India while goods market access matters more for some EU sectors. Useful for quantifying winners/losers by sector. [European Parliament](#)

ORF / Opinion & Research pieces (2024–2025) — multiple analyses on obstacles/opportunities.

Brief note: Focuses on realpolitik obstacles (CBAM, standards), and domestic sensitivities — agriculture and labour intensity in India vs. EU protection for agri and geographical indications. ORF pieces stress negotiation sequencing and strategic framing (trade + investment + tech councils).

Bruegel policy brief (recent) — ‘The time is right...’ (policy argument for concluding deal).

Brief note: Argues for speedy conclusion on economic and strategic grounds, but warns that sustainability-linked EU measures (CBAM, green standards) and regulatory divergence are main sticking points. Use this for policy advocacy view and economic framing. [Bruegel](#)

Carnegie / Strategic commentary (2025) — Can geopolitical alignment seal the India-EU FTA

Brief note: Frames the FTA within geopolitics: strategic convergence (Indo-Pacific priorities) can create momentum, but domestic protection and regulatory mistrust may still block deep liberalization. Helpful when linking geopolitics to trade outcomes. [Carnegie Endowment](#)

CII (Confederation of Indian Industry) report (Mar 2025) — India and EU: Expanding Future Horizons (industry viewpoint).

Brief note: Industry perspective highlighting high tariff/NBT barriers in some Indian sectors and Indian concerns about CBAM, GDPR-related issues, and market access for textiles, pharma and agro-products. Useful for private-sector negotiation priorities. [CII](#)

SWP Berlin analysis (2023) — Negotiations on a Free Trade Agreement between India and the EU (policy institute study).

Brief note: Detailed breakdown of negotiation history, procedural issues (GI protection, investment chapters) and EU strategy to diversify Indo-Pacific ties. Good for institutional and procedural context. [Stiftung Wissenschaft und Politik \(SWP\)](#)

NUJS Law Review (2011) — Human rights provisions in the forthcoming EU-India FTA (legal analysis).

Brief note: Early but important analysis on whether and how the EU might link trade conditionality to human-rights standards — raises legal/political complexities and potential Indian resistance to external conditionalities. Useful for the rights/conditionality debate. nujlawreview.org

World Economic Forum explainer (Mar 2025) — What to know about an EU-India FTA (accessible synthesis with trade stats).

Brief note: Clear lay summary of trade volumes, services growth (digital services flagged), and where bottlenecks (tariff and non-tariff) lie. Handy for quick stats and public-facing framing. [World Economic Forum](#)

Recent press reporting (Reuters, The Guardian — 2024) — news on specific negotiation flashpoints (agriculture, EU standards, CBAM).

Brief note: Reuters and Guardian reporting highlight real-time tensions — e.g., Indian ministers criticizing “irrational” EU standards and naming agriculture & carbon measures as top problems. Good for tracking negotiation statements and immediate flashpoints.

RIS & think-tank pieces (2025) — domestic Indian research perspectives on contentious items (data, CBAM, IPRs).

Brief note: Indian academic/policy pieces argue certain digital/data rules, CBAM compliance, and IPR regimes may be asymmetric in impact; they often recommend flexible transition arrangements for developing countries. Useful for India-side technical proposals.

III. OBJECTIVES

the present study main aim is to understand the Free trade agreements on the whole but study is guided by following sub objectives

- i) To study the concept of Free Trade agreement
- ii) To explore the current status of FTA between India and EU
- iii) To present the contentious issues of Free Trade Agreements in relation to India and European Union
- iv) To present conclusions emerged from the study

IV. METHODOLOGY

the present study is analytical and descriptive in nature and based secondary data from news papers, magazines, research articles on the internet. The paper adopted mixed method presenting the contentious issues of Free Trade Agreements of India with European Union and its impact on Indian external trade.

1. FREE TRADE AGREEMENT- TYPES

--A bilateral agreement is one that is made between two nations.

--Multilateral: A deal involving three or more nations, which is frequently more difficult to negotiate.

While negotiations are ongoing , India has not yet finalised a Free Trade Agreement with the European Union The Trade Economic Partnership Agreement (TEPA) between Inida and EFTA officially came into force on October 1,2025.

2. EU-INDIA FTA CURRENT STATUS

- **Current status:** Negotiations are ongoing, not concluded.
- **Resumption:** Talks were relaunched in June 2022 for a comprehensive agreement, including investment and geographical indications.
- **Goal:** The aim is to conclude negotiations by the end of 2025.

3. Member countries benefiting Indo -EU FTA

India-EFTA Trade and Economic Partnership Agreement (TEPA)

- **Signed:** March 10, 2024.
- **EFTA Members:** Switzerland, Norway, Iceland, and Liechtenstein.
- **Came into effect:** October 1, 2025.

- **Scope:** The agreement includes market access for goods, services, investment, intellectual property rights, and sustainable development.

4. Impact of EU-India on both sides

- **Economic growth:** It is anticipated that the deal will accelerate both countries' economic growth.
- **Job creation:** It is anticipated that the FTA will help create jobs in India and the UK.
- **Lower obstacles:** In order to streamline trade laws, the FTA seeks to lower tariffs and non-tariff barriers.

5. EFTA-India TEPA

- **Key Features of the EFTA–India TEPA**

1. **Investment and Employment:** This is India's first FTA that includes legally binding commitments on both investment and job creation. EFTA nations have pledged \$100 billion in investments and the creation of one million direct jobs over a 15-year period.
2. **Market Access:** The agreement provides substantial tariff liberalization. Duties are removed on 92.2% of EFTA tariff lines—covering 99.6% of India's exports to the bloc—and on 82.7% of India's tariff lines, representing 95.3% of EFTA's exports to India.
3. **Exclusions:** The agreement does not apply to sensitive industries like dairy, soy, coal, and agriculture.
4. **Services:** Professional mobility, mutual recognition of professional qualifications, and market access for digital services are all improved by the agreement.

V. DISCUSSION ON THE IMPACT OF INDIA -EU FTA

Although negotiations continued for nearly a decade without reaching a final agreement, IndiaEU engagement has steadily deepened and diversified over the years. The EU remains India's largest trading partner, with bilateral trade crossing US\$137.41 billion in FY 2023–2024. Alongside this, services trade has expanded consistently, touching US\$59 billion in 2023, and the investment presence is substantial with over 6,000 European companies operating in India.

India–EU negotiations have been affected by several challenges, many of which continue to shape the current dialogue:

1. Stalemate on Market Priorities:

The EU advocated for increased access and a 150 percent reduction in tariffs on the wine, cheese, and spirits sectors, while also seeking agricultural concessions. These sectors are particularly sensitive for India, as a large percentage of the population derives its livelihood from agriculture. In India, over 60 percent of the population relies on agriculture, compared to under 2 percent in the EU's most populous member state, Germany, making market liberalisation politically and socially challenging.

2. India's Services-Led Strategy:

Especially under Modes 1 and 4 of the WTO's General Agreement on Trade in Services (GATS), India's emphasis on liberalizing services trade is supported by its young, skilled, and English-speaking workforce. India put its service providers' market access ahead of the trade of goods, a demand the EU was hesitant to accede to. India may have suffered more from the collapse of the negotiations. Since the Generalized Scheme of Preferences (GSP) suspended preferential tariff treatment in early 2023, India has only used the WTO's Most Favoured Nation (MFN) principle for trade with the EU. Rivals like Bangladesh, Sri Lanka, and Vietnam, meanwhile, benefit from preferential tariffs. While some assistance might be provided by restoring GSP benefits, India would gain considerably more significant and long-term strategic gains from a comprehensive FTA.

The EU was hesitant to comply with India's demand that its service providers have market access over the trade of products.

VI. CONTENTIOUS ISSUES BETWEEN INDO-EU FTA NEGOTIATIONS

Since talks commenced in 2022, India and the EU have completed 11 rounds of negotiations with the goal of finalizing what may be the largest free trade agreement in the EU's history. Government procurement, labor standards, sustainable development, agricultural and dairy, and important investment-related concerns are among the sticking areas for both parties.

Several of these have become crucial in figuring out the way forward:

1. Agriculture and Dairy:

India contends that in order to safeguard its small-scale producers, hefty tariffs are required. In contrast to the average MFN tariff of 11.7 percent on Indian exports, it levies a 39 percent tariff on agricultural imports, which the EU considers discriminatory. This protectionist approach is still a major obstacle; in order to move industrial trade negotiations along, former German Vice Chancellor Robert Habeck even suggested that agriculture be left out of the FTA. Demands by the EU for increased access to India's dairy market, namely for European cheeses—a sector that employs a number of women and vulnerable populations in India—are another source of contention.

2. Services: Reciprocity is the only way to address the major issues that still exist in the services sector. Due to the high minimum wage requirements imposed by current EU immigration regulations, India is seeking Mutual Recognition Agreements (MRAs) for professional qualifications in disciplines including medicine, engineering, and accounting. Additionally, the EU undermines the goal of digital trade by mandating Indian companies to have local offices, which limits remote service delivery (Mode 1). Furthermore, under the General Data Protection Regulation (GDPR), India has long encouraged the EU to award "data secure" status. Without this classification, Indian businesses face legal obstacles and increased compliance expenses when managing the data of EU individuals, which their rivals in South Korea and Japan do not have to deal with.

Carbon Border Adjustment Mechanism (CBAM): Concerns have been voiced by Indian stakeholders regarding the EU's changing sustainability requirements, which present significant obstacles to small and medium-sized businesses' ability to comply. The most prominent of these is the CBAM, which levies a 20–35% tax on imports that contain a lot of carbon. Among the EU's environmental regulations, CBAM presents India with the biggest obstacle because it targets a larger and more valuable export market. The Carbon Border Adjustment Mechanism (CBAM), which initially covered indirect emissions from sectors such as iron, steel, cement, aluminum, and fertilizers, has now been expanded to include hydrogen-related emissions as well. This broadened scope increases compliance challenges for resource-constrained countries. For India, the implications are significant, particularly because its iron and steel exports to the EU reached US\$6.64 billion in FY 2023–2024, making the stricter CBAM regulations a major concern.

Commerce Minister Piyush Goyal has criticized CBAM, claiming that even while it targets major emitters like China and Russia, it unfairly affects developing countries like India, which has the lowest emissions per capita in the world. Since CBAM necessitates the submission of more than 1,000 data points during the transition period till January 2026, privacy issues have further damaged its appeal in India.

3. Precautions in Caring CBAM and Other Trade Barriers :

Domestic carbon pricing is one strategy to counteract the effects of CBAM, according to a European delegation headed by Gerassimos Thomas. However, this presents problems for emerging nations, since the greater marginal cost of a carbon tax may cause public opposition. This problem is made worse by the regressive nature of CBAM, which is linked to consumption levels. However, relief can be obtained by well-crafted carbon policies. For example, Argentina implemented a US\$10 per tonne carbon tax in 2018, which indicates alignment to address emissions and lower CBAM costs even though it is lower than EU rates.

To make the CBAM more acceptable, the EU should position it within a broader framework of climate cooperation, expand MFN-based exemptions, and ensure that the projected revenues of US\$1.6–3.4 billion are redirected toward reducing global disparities in green financing. The EU's FTAs with Singapore and Vietnam already illustrate how gradual liberalization and selective exemptions for sensitive sectors can be effective negotiating tools.

VII. CONCLUSIONS

1. Momentum is rising to finally conclude the long-pending India–EU free trade agreement, especially as India wraps up its FTA negotiations with the UK after three and a half years. These recent developments suggest that, as President von der Leyen remarked, the “planets may be aligned,” potentially paving the way for smoother and more constructive negotiations toward finalizing the India–EU FTA.

2. With significant economic ramifications, the India–EU free trade agreement is a strategic alignment. Its success will depend on fixing regulatory misalignments and reconciling conflicting interests, even though tariff reductions and market access are the main topics of discussion. In order to fully realize the potential of the agreement, companies will need to adjust to new compliance regimes and take advantage of sector-specific opportunities.

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