

INDIA-EUROPEAN UNION (EU) FREE TRADE AGREEMENT



Introduction:

- India and the European Union (EU) have announced the conclusion of negotiations for a Free Trade Agreement (FTA). Covering a combined market of over INR 2,091.60 lakh crore (USD 24 trillion)
- The proposed agreement provides unprecedented market access for over 99% of India's exports by trade value, while preserving policy space for sensitive sectors and supporting India's developmental priorities

Key Pillars of the Agreement :

- Trade in goods:** Significant tariff reduction with a phased manner on electronics, textiles and chemical products.
- Trade in Services:** Enhanced market access for IT/ITeS, professional, financial, and business services
- Investment Framework:** Investment protection, certainty, and facilitation for cross-border trns.

Sector Wise Impact :

Sector	Coverage in the Agreement	Impact for India
Textiles and Leather	Immediate elimination of EU tariffs (10–12%) on key textile and apparel products from Day 1	Enhances price competitiveness of Indian garments in the EU, improving Indian exports position compared to Vietnam and Bangladesh.
Automobiles	Phased reduction of tariffs from 110% to 10% for a limited quota of 250,000 vehicles (priced above €15,000).	Facilitates access to advanced EVs and premium vehicles to Indian market.
IT & Services	Legally binding access to 144 EU sub-sectors with easier "Business Visas."	Improves mobility of skilled Indian professionals for project-based work.
Pharmaceuticals	Mutual recognition of standards and elimination of duties on medical devices and select chemicals.	Accelerates approvals for Indian generic drugs in the EU and reduces compliance and documentation costs.
Wine & Spirits	Gradual reduction of customs duties from 150% to 40% on spirits and to 20–30% on wine over a period.	Expands consumer access to European products while sustaining import-duty revenues for India.
Aerospace	Elimination of tariffs (earlier up to 11%) on aircraft and spacecraft components.	Lowers input costs for Indian manufacturers supplying global aerospace value chains include airbus and safran.
Agriculture	Duty-free for tea/spices; Sensitive items (Dairy, Rice, Sugar) are excluded.	Protects farmer livelihoods while promoting exports of spices, tea, and select agri-products

A3 Comments:

- The India–EU FTA (mother of all deals) offers a significant opportunity for Indian industry to strengthen its position in global value chains. To capitalize on this opportunity, companies must reassess their supply chains, particularly by diversifying imports away from China and exploring high-quality inputs from the EU at comparable or potentially advantageous cost structures. At A3 Advisors LLP, we are committed to assisting businesses in evaluating supply-chain restructuring, documentation and compliance frameworks to leverage the benefits arising from the FTA



A3 ADVISORS LLP

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HYDERABAD | VIZAG | MUMBAI | NEW DELHI | BANGLORE | CHENNAI
| VIJAYAWADA |



+91 81212 69707



avinash@a3advisors.in



www.a3advisors.in

