# EU-India Partnership: Trade Deal Urgency

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## The Strategic Importance of the new EU-India partnership: the urgency of the trade deal

### 1. Introduction

The urgency of the EU-India partnership and trade deal is amplified by the effects of US tariffs on the global trade environment, effectively straining economic ties with major partners, such as the European Union and India. As a result, both players are looking to deepen their strategic partnerships

and strengthen bilateral agreements and ties. Fresh attempts are underway to negotiate a Free Trade Agreement (FTA) between India and the EU, with talks for a Bilateral Trade and Investment Agreement (BTIA) initiated to build stronger ties within their economies. In spite of past obstacles, including differing positions on intellectual property rights, there is a shared duty to cultivate a resilient and mutually beneficial partnership. This collaboration extends to infrastructure development in South Asia and the Indian Ocean Region. The EU and India are important trading partners to each other. In 2021, the EU was India's second largest trading partner, accounting for trade in goods (European Commission: Directorate-General for Trade and Economic Security & Trade Impact B.V., 2023), and a significant source of investment, a position the Union holds in 2024, according to the latest data from the European Commission (European Commission, 2025). In addition, India has been rising in the ranks when it comes to the most important trade partners (in goods) of the EU, holding the 9th position at the end of 2024. However, on the other hand, India remains cautious about the EU's strategic orientation towards China, fearing it does not align with its national interests, making it essential to reach a common position in a renewed partnership (European Union Institute for Security Studies, 2024). The imperative for strengthening EU-India relations is obvious, especially in navigating post-pandemic realities, fostering a resilient partnership and seizing emerging opportunities.

Table 1: EU's most important non EU trading partners in 2021 in goods (EUR billion)

Source: European Commission (European Commission: Directorate-General for Trade and Economic Security & Trade Impact B.V. (2023). Trade sustainability impact assessment (SIA) in support of free trade agreement and investment protection agreement negotiations between the European Union and the republic of India : final report : annex (including baselines). Publications Office of the European Union. https://data.europa.eu/doi/10.2781/133860.)

Table 2: EU's most important non EU trading partners in 2024 in goods (EUR billion)

Source: European Commission (European Commission: Directorate-General for Trade and Economic Security. (2025). DG Trade statistical guide: August 2025. Publications Office of the European Union. https://data.europa.eu/doi/10.2781/0201883.)

## 2. Europe between two giants

The European Commission's Political Guidelines, from July 2024 (European Union Institute for Security Studies, Rühlig, & Teer, 2025) indicates the construction of a new foreign economic policy at the core of its vital and strategic agenda. This enterprise has gained additional urgency because of the major shifts in global trade, with the prime example in the new Donald

Trump's administration America First agenda, whose main focus is placed on reindustrialisation, seeking to bring manufacturing back to the United States, rebuild domestic industry and reshore key supply chains. Such policy could provoke even more EU companies to relocate production to the U.S., escalating economic pressure on Europe. At the same time, the near closure of the U.S. market to Chinese exports, especially in sectors like electrical machinery and components, could worsen China's long-standing industrial overcapacity, flooding global markets with subsidised goods. This twofold pressure forges a difficult challenge for the EU, which must now handle simultaneously the risks from both China and the United States and balance priorities: the EU risks deeply to focus on the new American tariffs obstacles while forsaking ongoing structural issues, mainly as the Chinese overcapacity and strategic dependencies. But the issue extends beyond economics. Europe's security architecture depends on complex international industrial cooperation, especially in defence production and telecommunications. Disruptions in these areas could severely weaken Europe's security and deterrence. Trump 2.0's challenge to global trade magnifies existing threats to the EU's competitiveness, sovereignty, and crisis resilience. Nonetheless, other players are also under fire from U.S. policies, which opens a strategic window: the EU can place itself as a stable and attractive partner, offering an alternative to both U.S. unpredictability and China's self-reliant model.

To seize this opportunity, the EU's new Foreign Economic Policy – still largely unknown – must integrate three key pillars: economic security; trade policy; and investment partnerships (European Parliament: Directorate-General for Parliamentary Research Services & Sheil, 2025). Bringing these strands together offers a chance to address both long-standing and emerging geopolitical challenges and to build stronger and more resilient global partnerships.

In this framework, India presents as an alternative to address an urgent need, in order to counter the current geopolitical and geoeconomic environments that the EU faces. However, there are many obstacles needed to be surpassed if both players want to reach a new FTA and renewed partnership.

## 3. Framework of EU-India relations

The relationship between the European Union (EU) and India has evolved significantly over the past six decades, marked by key milestones that reflect the depth and diversity of their partnership. Beginning with the creation of diplomatic ties between India and the European Economic Community (EEC) in 1962, cooperation has steadily expanded across political, economic, and strategic fields. A broader engagement was inaugurated after the EU's formal establishment in 1993, followed by the signing of a Cooperation Agreement in 1994, laying the foundations of the political relationship. This

partnership was deepened and strengthened in 2004 with the formal launch of the EU-India Strategic Partnership.

In 2005 the EU-India Collaborative and Mutual Action Plan was approved, defining common objectives across political, economic, and development fields. At the 2008 conference, discussions focused on research and technology, sustainable development, peace and security, and the enhancement of cultural and interpersonal ties.

New endeavors in order to deepen trade relations began in 2007 with the initiation of negotiations for a Bilateral Trade and Investment Agreement (BTIA). However, despite several negotiation rounds, strong differences remained over market access concerns such as services, agriculture, automobiles, and intellectual property rights. Also the EU's assertiveness on including human rights clauses made progress improbable, causing the EU-India cooperation to remain limited and largely focused on economic and business aspects for nearly a decade, lacking a broader strategic direction (GJRA & Rani, 2025).

Between 2007 and 2013, negotiations on the BTIA faced obstacles related to India's business environment and trade policies, leading to a standstill. But, despite the difficulties, in 2021, the EU and India agreed to resume the FTA negotiations. Remarcably, regardless of the challenges introduced by the COVID-19 pandemic, both parties intensified their partnership: at the 15th India-EU Summit in 2020, both endorsed the "India-EU Partnership: A Roadmap to 2025," aimed at intensifying cooperation across global governance, trade, sustainable development, foreign policy, security, and people-to-people exchanges (Saroha, 2025). The following year, the EU unveiled its Indo-Pacific strategy at the 16th India-EU meeting, emphasizing a rules-based regional security framework and alliances with like-minded countries, with India playing a central role and advocating for a free and inclusive Indo-Pacific region, focusing on maritime cooperation and adherence to international law under the United Nations Convention on the Law of the Sea (UNCLOS), reflecting its commitment to regional stability.

In January 2021, India and the EU held their inaugural maritime security talks to enhance collaboration in maritime awareness, capacity building, and joint naval exercises. Building investment links with key regional players like India and ASEAN and strengthening trade relations between Europe and the Indo-Pacific could position Europe as a global superpower in the 21st century.

The focus on forming regional coalitions prioritizes mutual cooperation without fostering economic dependence or debt. The EU's Global Gateway initiative, with a €300 billion investment plan from 2021 to 2027, aims to contribute significantly to global infrastructure development. This program reflects Europe's approach to building strong global connectivity by promoting transparent contracts rather than debt accumulation.

Economically, the EU is India's second largest trading partner, with bilateral trade in goods reaching $120 billion in 2024 (European Commission,

2025). Approximately 6,000 EU companies operate in India, supporting over 6 million jobs both directly and indirectly.

## 4. Global environment and strategic importance of India to the EU: the urgency of a new EU-India partnership and Free Trade Agreement (FTA)

The evolution of India–EU relations in the 21st century is shaped by a convergence of economic ambitions, political goals, and cultural connections. As both partners navigate current global challenges and wish for deeper cooperation, it becomes increasingly clear that their relationship is not merely beneficial, but essential for addressing the complexities of today's international landscape. In this sense, the strategic importance of their partnership underscores the need for sustained dialogue and adaptive collaboration, particularly in a world that is more interconnected than ever before (VERHAELEN, 2024).

Economically, the India–EU relationship stands reinvigorated by trade, investment, and technology exchange. The European Union remains one of India's most important commercial partners. As of 2023, bilateral trade between the two exceeded €100 billion, reflecting the strength and depth of their economic engagement. This trade reaches a wide variety of sectors, including machinery, chemicals, textiles, and technology, demonstrating a growing and diversified economic commitment between the two partners.

The evolving geopolitical landscape, particularly regarding China, presents both challenges and opportunities for India and the European Union. A critical problem for the EU is its internal divisions and ununified position over China, which must be settled in order to design a unified strategy that aligns, or at least, doesn't cause India's opposition. According to the Opinion of the European Economic and Social Committee (2025), as the world's two largest democracies, the EU and India have a unique opportunity to use their common values to reinforce a rules-based, multilateral order, especially in the Indo-Pacific region. The EU-India partnership stands at a pivotal moment, with the potential to bring major strategic and economic benefits. In a post-pandemic world, building resilient and mutually beneficial alliances has become more relevant and urgent than ever.

India also emerges as a strategic partner in shaping the EU's Foreign Economic Policy, as it poses an alternative to the negative effects of Trump 2.0's unpredictable trade agenda. To realize this potential, however, the EU must be prepared to: co-develop trust-based security frameworks with partners to enhance physical and economic security; expand and diversify global supply chains in cooperation with European and international partners to build resilience in critical value chains; ensure fair competition by jointly assessing trade practices and market conditions with key partners; align on global standards and norms with like-minded nations to uphold universal democratic values.

For these reasons, it becomes evident that reaching a new FTA with India is essential for the EU, in spite of the obstacles being encountered during the negotiations. A comprehensive new FTA between India and the European Union holds significant potential to enhance bilateral economic cooperation. By reducing non-tariff barriers and streamlining market access, such an agreement could pave the way for more efficient trade flows between the two partners. Beyond boosting the volume of bilateral trade, the FTA is also expected to attract greater Foreign Direct Investment (FDI) from the EU into India (European Commission, Directorate-General for Trade and Economic Security & Trade Impact B.V., 2023).

Both India and the EU stand to benefit from increased investments, particularly in high-growth sectors such as renewable energy, digital technologies, and advanced manufacturing. Cooperation in these areas could foster innovation, enhance competitiveness, and support sustainable economic development. However, despite the renewed momentum of the negotiations, relaunched in 2022, the path to finalizing the FTA must surpass obstacles, like the domestic political and economic interests on both sides. In India, key sectors like agriculture, textiles, and small-scale industries have expressed concerns about increased competition from European imports, making the Indian governing officials cautious about liberalization. On the EU side, several Member-States remain hesitant due to concerns about India's regulatory environment, labor standards, and the level of protection afforded to their own critical industries.

The need for the European Union to reduce its dependency from the US, on trade, has already led Ursula von der Leyen to stating, in September 2025, that the Commission wants to finalize the FTA with India by the end of the year (REUTERS, 2025). Furthermore, the EU has refused President Trump's request to impose 100% tariffs on India, due to being one of the main buyers of Russian oil, such is its strategic importance. By addressing these priorities, the EU and India can deepen their strategic alignment and strengthen their role as pillars of stability in an increasingly uncertain global environment.

## 5. Conclusion

As the global geopolitical and geoeconomic landscapes become increasingly fragmented, the European Union and India find themselves at a critical crossroad. Their shared democratic values, complementary economic strengths, and common interest in a stable, rules-based international order make their partnership not only desirable, but essential. The shifting dynamics of global trade, particularly the rise of protectionist policies from the United States and the strategic assertiveness of China, underscore the urgency of solidifying a deeper and more resilient EU-India partnership.

Finalizing a comprehensive Free Trade Agreement would mark a significant milestone in this evolving partnership. It offers the potential to unlock

vast economic opportunities, enhance strategic cooperation, and position both parties as key players in a multipolar global order. While challenges persist, ranging from regulatory divergences to sectoral sensitivities, there is growing political will on both sides to overcome these hurdles.

In this context, the EU and India must act decisively. Building on decades of diplomatic engagement and recent momentum, they have the opportunity to shape a partnership that can serve as a model for bilateral cooperation in an era defined by uncertainty and competition, promoting sustainable development and ensuring mutual prosperity in the decades to come.

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