India's New Trade Playbook with Europe

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Aliya Woodcock



The Trade and Economic Partnership Agreement (TEPA) between India and the European Free Trade Association (EFTA) entered into force on 1 October 2025, marking a new chapter in India's evolving trade diplomacy. The deal, signed on 10 March 2024, links India with four high-income European economies: Iceland, Liechtenstein, Norway and Switzerland. Collectively, they represent one of Europe's three major economic groupings, alongside the EU and the UK.

EFTA states have long been among the world's most open economies, and the TEPA reflects their shared ambition to deepen integration with a

rapidly growing India. Together, the parties represent a combined GDP of around USD 5.4 trillion (Schlagenhof & Sveinbjornsson, 2025). For India, this is its fifth major trade agreement since 2014, following deals with Mauritius, the UAE, the UK and Australia (Economic Times Contributors, 2025).

While the TEPA was concluded in just two years, negotiations on the India–EU Free Trade Agreement (FTA) have dragged on for over a decade (Kumar, 2025). Talks on the EU–India FTA first began in 2007, were suspended in 2013 after sixteen rounds, and resumed in 2022. This means the process has now stretched across three Indian governments and nearly two decades without conclusion. The contrast between these two processes reveals not only institutional differences between the EU and EFTA but also a more profound shift in India's trade posture. Understanding that shift is central to interpreting India's trade diplomacy with Europe today.

Although both instruments aim to liberalise trade, a TEPA and an FTA are not identical. While the TEPA is broader in scope, combining trade liberalisation with investment, services and regulatory cooperation, it is designed as a flexible partnership that can adapt rather than a static tariff agreement. The FTA under negotiation with the EU, by contrast, remains a more traditional and a legally dense treaty structure with binding commitments across multiple chapters, including sustainability, intellectual property and digital trade.

India's Historical Approach to FTAs

For decades after independence, India maintained a cautious and often protectionist stance on trade, seeking to survive without heavy reliance on international markets (Shah, 2025). The 1991 balance-of-payments crisis triggered a reluctant liberalisation, with India cutting tariffs, deregulating industries and opening up to foreign investment (Chan, 2019). Yet even after this adjustment, trade policy remained characterised by high average tariffs, opaque procedures and periodic reversals.

The United States Trade Department has previously described India's trade policy as "opaque" and "unpredictable", noting that India maintains the highest average tariff levels of any major economy at around 13.8% (Chan, 2019). For years, India championed a defensive multilateralism, prioritising policy autonomy over liberalisation. It's blocked previous WTO negotiations, withdrew from the Regional Comprehensive Economic Partnership (RCEP) in 2019 and consistently invoked the need to protect infant industries (Gaur, 2020).

This posture began to shift around 2021. Confronted with slowing export growth, a widening trade deficit and the reciprocal tariff threats of the Trump administration, policymakers began recalibrating India's trade strategy (Shah, 2025). Imports have risen sharply in the past decade, from USD $450bn in 2013/14 to USD $716bn in 2022/23, widening the trade deficit to USD $265bn (Khurana, 2024). Meanwhile, India's surplus in services

has underscored its potential to leverage high-skill exports while attracting capital inflows.

This combination of domestic and external pressures has produced a so-called 'selective bilateralism'. India is no longer avoiding trade agreements altogether but is choosing partners and frameworks that align with its development goals. The TEPA represents the clearest manifestation of this pragmatic new phase.

TEPA vs FTA

The EFTA–India TEPA is distinctive not only for its speed but also for its content. Unlike traditional FTAs centred on reciprocal tariff cuts, TEPA introduces an investment-for-access model. EFTA states have pledged to mobilise USD $100bn in investment and create one million jobs in India over the next 15 years in exchange for phased market access (Schlagenhof & Sveinbjornsson, 2025). This reflects the Modi government's industrial strategy of "Make in India, Make for the World", which prioritises manufacturing, job creation and foreign direct investment over tariff liberalisation alone (Economic Times Contributors, 2025).

From a market access perspective, the deal is asymmetrical but carefully designed. EFTA countries have committed duty concessions on over 92% of tariff lines (Economic Times Contributors, 2025), covering nearly all Indian exports, with full liberalisation for industrial goods and gradual reductions for agriculture. India has offered preferential access on around 83% of its tariff lines while maintaining protection for politically sensitive products such as dairy, soya and coal (Economic Times Contributors, 2025).

In contrast, the India–EU FTA remains mired in disagreement. The EU's trade policy is fundamentally normative; it seeks to project European values abroad through legally binding commitments on sustainability, labour rights and digital governance (Khurana, 2024). For Brussels, trade is an instrument of regulation; for Delhi, it is a tool of economic statecraft. India wants capital, supply chain access and flexibility in industrial policy. The EU appears to want deeper regulatory alignment and enforceable standards (Khurana, 2024). This difference in philosophy has made progress slow; India views the EU's demands on intellectual property, environment and data as premature and potentially constraining.

What This Says About India's Policy

The contrasting trajectories of the TEPA and the FTA reveal how India's trade policy has evolved. India has moved from 'defensive multilateralism' to a more pragmatic bilateralism, using targeted partnerships to advance domestic priorities. First, India takes an interest-driven approach. The TEPA was perhaps negotiated quickly because it served both sides' strategic and economic interests without overextending on regulatory commit-

ments. EFTA's compact membership and absence of political conditionality made it an ideal testing ground.

Second, the focus has shifted from tariffs to investment and industrial capacity. Trade agreements now function as instruments of industrial policy rather than vehicles for liberalisation, and the TEPA explicitly links market access to measurable investment targets, showing how India is navigating trade diplomacy by reinforcing domestic targets.

Third, India's diplomacy has become more proactive. Where it previously reacted defensively to external pressure, it now selects partners and frames negotiations around its national strategy. The TEPA gives India leverage in Brussels, demonstrating that it can deliver credible trade commitments when the terms are realistic.

Finally, these shifts have not seemed to erase India's core protectionist instincts. Sensitive sectors remain shielded, and autonomy in areas such as data and agriculture remains non-negotiable. What has changed is the method: India now uses openness selectively to build resilience rather than surrender it, which helps suggest why the India-EU FTA negotiations have moved a lot slower.

Conclusion

The comparison between the India–EFTA TEPA and the India–EU FTA offers a window into India's new trade architecture. Both aim to deepen integration with Europe, but they differ fundamentally in structure, pace, and purpose. The TEPA reflects a flexible, investment-led model that aligns with India's industrial policy and offers mutual benefit without overregulation. Its success lies in its pragmatism: small, focused and consistent with India's development priorities. The EU FTA, in contrast, illustrates the structural limits of India's engagement with a regulatory superpower whose trade philosophy remains anchored in values and legal precision.

EFTA's flexibility allowed for a deal that suited India's stage of development and negotiating style. The EU's complexity and cautious institutional framework have prolonged talks that began over a decade ago. In essence, India is not rejecting globalisation but redefining it. It is opening up trade-wise, though on its own terms, using deals like the TEPA to attract investment, enhance credibility, and shape the conditions for future agreements with larger partners such as the EU.

India's demonstrated reliability through its partnership with EFTA will likely help the India-EU FTA materialise. Together, these agreements mark the gradual but discernible shift from a defensive, protectionist India to one that engages globally with strategy, selectivity and purpose.

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