



EU and India reach political agreement on FTA – the 'mother of all deals'?

Trade
Compliance

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With the political agreement on a Free Trade Agreement (“FTA”) between the European Union (“EU”) and India on January 27, 2026, a significant breakthrough has been achieved after years of negotiations. This article summarizes the key elements of the planned agreement and outlines the next steps toward its entry into force.

1. Context of the Agreement

The Indian Prime Minister Narendra Modi and EU Commission President Ursula von der Leyen have called the EU-India free trade agreement, whose political conclusion was announced on Tuesday in New Delhi, the “mother of all deals.” Negotiations had spanned nearly two decades and were suspended for several years at a time. The wording is not exaggerated: with this agreement, the EU and India are taking their economic relations to a new level. Together, the two economic areas represent a market of around two billion people. For India, the agreement with the EU is the most significant trade deal it has ever concluded. For the EU, the agreement also carries considerable strategic importance: in an increasingly fragmented geopolitical landscape, the FTA represents an important step toward diversifying economic relations and reducing existing dependencies on the U.S. and China. The agreement opens up access for EU companies to one of the world’s most dynamic growth markets, which until now had been largely inaccessible due to high import tariffs, import licensing, and significant market access restrictions.

2. Key Content of the Agreement

2.1. Reduction of Import Duties

A central element of the FTA is a comprehensive reduction of mutual import duties. Approximately 96% of goods traded between the EU and India are expected to become duty-free or subject to significantly reduced tariffs. Export-oriented sectors in the EU, such as machinery and equipment, the automotive industry, chemicals, pharmaceuticals, as well as services and infrastructure, will particularly benefit. Machinery and electronic equipment, which until now were subject to import duties of up to 44%, will be able to enter India duty-free. The same applies to nearly all goods in the categories of aircraft and aerospace, optical, medical, and surgical instruments, plastics, iron and steel, and pharmaceuticals. For automobiles, a tariff reduction to 10% is envisaged, limited to an import quota of 250,000 vehicles, instead of the current limit of up to 110%. Previously prohibitive tariffs on agricultural and food products will also be significantly reduced or eliminated, facilitating

market access for European producers. For example, the import duty on wine will initially be reduced from 150% to 75%, and further gradually lowered to 20% under a phased schedule.

While some industrial goods will be duty-free upon entry into force, the duties for most goods will be gradually reduced or eliminated over a period of typically five to seven years (“phase-in periods”). Tariff concessions are subject to compliance with the rules of origin and any safeguard measures.

2.2. Safeguard Clauses

The agreement includes safeguard clauses designed to prevent economic damage or market disruption resulting from sudden import surges following the FTA. These measures may include the temporary reintroduction of higher duties and time-limited quantitative restrictions on imports.

2.3. Exceptions for Sensitive Agricultural Products

Unlike the EU-Mercosur Agreement, protests from EU farmers are unlikely: the FTA excludes sensitive agricultural products such as beef, poultry, rice, and sugar from tariff liberalization. All imports from India must also continue to comply with the EU’s strict health and food safety standards.

3. No Special Status for India under CBAM

The Carbon Border Adjustment Mechanism (CBAM) was a key point of contention in the FTA negotiations. India sought an exemption (a so-called “carve-out”) or at least preferential treatment under CBAM obligations. The agreement, however, does not provide for an explicit exemption; CBAM will therefore, in principle, also apply to imports from India. The EU has only clarified that any general flexibility or facilitation measures introduced globally under CBAM will also apply to India. A country-specific special status for India is not foreseen.

4. Next Steps

With the political conclusion of negotiations by the European Commission on the basis of a negotiating mandate from the Council, the agreement is not yet legally binding. The next step is for the Commission to submit a proposal to the Council for signature of the agreement. The Council shall decide thereon in accordance with Article 218(5) TFEU by a qualified majority, since the agreement falls within the scope of the Common Commercial Policy under Article 207(4) TFEU. The formal conclusion of the agreement requires, in accordance with Article 218(6)(a) TFEU, the consent

of the European Parliament. The Parliament may grant or withhold its consent and may, pursuant to Article 218(11) TFEU, request an opinion from the Court of Justice of the European Union (CJEU) on the compatibility of the agreement with Union law.

To the extent that the agreement contains provisions in areas outside the exclusive competence of the European Union, such as investment protection or safeguard measures, ratification by the Member States in accordance with their respective national constitutional procedures is additionally required.

Once this procedure is completed, the agreement will be signed by the EU and the partner country. The Commission anticipates conclusion by the end of 2026 or early 2027. Furthermore, under Article 218(5) TFEU, the Council may, on a proposal from the Commission, decide to apply the agreement provisionally before the formal procedure is completed.

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