



Revitalizing The India - EU Relations: A Budding Potential

April 02, 2025 | Madhura Vartak & Neeraj Deshraj G.

Amid the return of the President of the United States of America (USA), Donald Trump, to the White House, the evolving & emerging international geopolitical scenario calls for an adjustment of strategic alliances and cooperations, where the EU-India relationship is a key stakeholder in this reshuffling. In an era characterized by political upheavals, the perceived tilt in US foreign policy

under the Trump presidency, wherein he is pivoting the nation back to its isolationist roots of the 18th century, and China's aggressive ascension, both India & the EU understand the need to deepen their strategic cooperation. This engagement, premised on an affinity for shared democratic values, adherence to multilateralism and a shared interest in maintaining a rule based international order, is much required for addressing the challenges of the 21st century. As an addendum to this linkage, the relationship is now put forth in the limelight due to the tariffs threatened by the US which now lurk over the European continent.

The European Union for its part has turned towards India, Latin America, Gulf countries and other regional partners, to overcome its dilemma over its transatlantic economic partnership. Across the Atlantic, President Trump has

announced a slew of tariffs on the EU Bloc, alongside the tariffs he already threatens to impose on its own neighbours – Canada, Mexico as well as those on China.¹ President Trump has alluded to the high tariffs of these countries as claiming them to be created to “screw the United States.”² As underscored by Harsh V. Pant, “The EU and India share a commitment to a multipolar world order based on the rule of law and multilateralism”³ a statement that evokes deep resonance in today’s environment. This value alignment forms a strong basis for greater cooperation in many areas.

India and the EU now face a greater need for increased cooperation and deliberate engagements, especially in the face of an indecisive and uncertain banter coming from the United States of America. Some of the areas where India and the EU can chart developmental ties are elaborated on below.

ECONOMIC VALUE ADDITIONS & INDIA’S HISTORY WITH TRADE AGREEMENTS:

President Trump intends to impose tariffs on European goods, with an implementation of 25% duty on steel and aluminium imports from

the EU.⁴ Similarly, he announced to impose reciprocal tariffs on countries with high trade barriers, which translates primarily to India and others, which would likely impact the trade dynamics, straining the global and regional economy.⁵ Amidst this reality, the President of the European Commission, Ms. Ursula von der Leyen, emphasised the importance of a Free Trade Agreement (FTA) with India. She puts forth the rationale behind it through a starkly realistic framework, more so for the EU than for India, alluding it as a time to be pragmatic and ambitious. The EU, thus, has understood the need to realign their priorities for today’s realities. Economic cooperation remains a cornerstone of the EU-India partnership. The EU stands as a major trading partner for India, with substantial bilateral trade volumes. However, the full potential of this economic relationship remains untapped. To this end, the team of European Commissioners visited India at the end of February 2025, signalling the accelerated negotiations towards finalizing the FTA towards the end of this year.

To conceptualize this vision however, the pursuit of a comprehensive and mutually

beneficial Free Trade Agreement is paramount. Such an agreement would not only boost bilateral trade and investment but also create new opportunities for businesses on both sides. The World Economic Forum highlights the importance of this trade relationship, stating that “the EU is India’s largest trading partner, accounting for €124 billion of trade in goods in 2023, or 12.2% of total Indian trade.”⁶ This emphasizes the scale of the current relationship, and the greater potential that exists. In addition to the trade of goods, the resilience of supply chains is becoming a priority. Both the EU and India are looking to diversify their supply chains, to reduce over reliance on any one country, and to make them more secure.

This common goal creates very strong opportunities for collaboration. Moreover, according to information released by the Press Information Bureau, India and EU are working towards establishing a balanced, ambitious, comprehensive and mutually beneficial Free Trade Agreement.⁷ While the negotiations of India European Union Broad based Trade and Investment Agreement (BTIA) did commence in 2007, they were likely to be continued in Brussels in March 2025. After almost two decades of negotiations, there seems to be a silver lining in finalising the trade deal. Albeit of this, there are many hindrances in these agreements aided by numerous small tussles which have been difficult to find some common ground. Some of these include tariffs, regulatory measures, restrictive market access, investment protection, etc., leading to disagreements between the two parties. On the negotiating table, the European representatives have often commented on India’s reluctance to reduce Indian import duties which are primarily on Indian dairy products such as skimmed milk



¹ BBC, Sherman, 2025.

² France24, February 2025.

³ ORF, Karmack et al., “India US ties in the next decade”, June 2022.

⁴ Anagha Jayakumar, US tariffs on steel, aluminium: Why Canada and EU retaliated, while UK is holding out, March 2025

⁵ Riya Alex, “Donald Trump’s reciprocal tariff: How US and Indian tariff rates have evolved? What 15% tariff mean for future trade?”, February 2025

⁶ World Economic Forum, “The EU and India are close to finalizing a free trade agreement.”, March 2025.

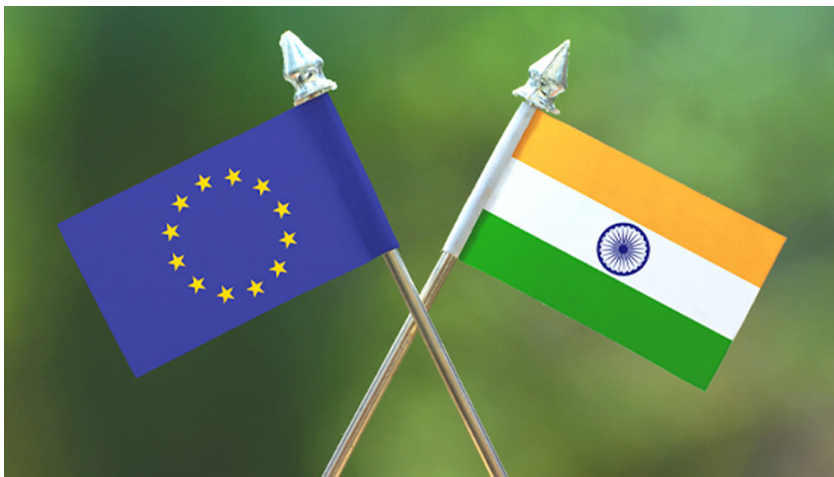
⁷ PIB, “India and EU aiming for a balanced, ambitious, comprehensive and mutually beneficial Free Trade Agreement”, December 2024.

and cheese, as these could increase competition in the domestic markets—thereby potentially hampering local milk cooperatives and brands, already some of the biggest names established. The need of a strong political will, to push forward with trade agreements, is thus incredibly important for the future of the relationship.

India's approach to FTAs has undergone a significant shift in recent years, particularly under the Modi government. Driven by perceived shortcomings in earlier agreements, such as the India-ASEAN FTA and the India-South Korea FTA, India has adopted a more cautious stance towards FTAs. This shift is reflected in India's pursuit of renegotiating existing FTAs, both bilaterally and multilaterally. The goal is to ensure that India derives tangible benefits from such agreements, rather than simply participating in them without achieving desired outcomes. India aims for win-win scenarios where both parties benefit from the trade pact. Furthermore, India recognizes the potential of its vast human resources. The country seeks FTAs that facilitate the free movement of skilled labour, a strategy that could benefit both India and its trading partners. While this approach reflects a cautious stance, it is also progressive, aligning with the demands of India's evolving economy. "This is evident in the recently signed trade agreements with the UAE and Australia, which demonstrate a willingness to engage in new trade partnerships while ensuring mutual benefits."⁸

DEFENCE AND MUTUAL SECURITY CONCERNS:

Security and defence cooperation are also essential elements of the evolving EU-India relationship. The Indo-Pacific region, a crucial vein of international trade, is facing growing security threats. Both the EU and India have a shared interest in preserving maritime security and freedom of navigation in the region. Increased



cooperation on maritime domain awareness, collaborative naval exercises and information sharing is needed. The growing threats from terrorism and cyberattacks further highlights the necessity for greater cooperation. Cooperation on best practices and building capabilities in these areas will make the security position of both sides stronger. With the growth of the digital domain, the need also grows, and this is another sector where cooperation is extremely important.

While the Indian Ocean and the further Indo-Pacific remain as key pivot areas in India's background, the Atlantic Ocean as the EU's rimland also commands a hefty flow of global shipping and trade routes. Any aggressive encroaching in these areas, likely coming from China through its Belt and Road Initiative (BRI) can be dealt with a more determined approach. In such a framework, India and the EU can strengthen their partnership by conducting annual military and naval exercises, develop a robust information sharing network, and can also look to enhance interoperability through advanced technology for reconnaissance and patrolling.

CLIMATE CHANGE:

Climate change and sustainable development constitute another key focus for cooperation. The EU and India are equally concerned about how to tackle climate change challenges,

and so far, have been championing the fight to tackle the climate change issues more efficiently and with tangible outcomes taken through national policies like India's Green Hydrogen policy and the European Green Deal. While both the parties do stand for this cause, it is to be noted that there are certain products which are restricted or are liable to be called back after certain checks have been passed. In 2024 itself, exports like those of spices and rice were regulated vastly due to an excess of minimum residue levels (MRL), while the chemicals or pharmaceutical sector of India also faced a big brunt when stringent regulation checks failed to pass chemicals products upon which 40% of Indian chemical exporters withdrew from the market.⁹ To compound such matters, the EU would also be likely to impose the Carbon Border Adjustment Mechanism tariffs going up to a high of 35% for Indian exports namely steel, aluminium, etc which are in the carbon intensive sector which the EU deems as being sustainability driven non-tariff measures.¹⁰

In light of this, it becomes even more crucial that both work in tandem to find a middle ground in a scenario where a developing nation like India is yet to fully transition from non-renewable to clean sources of energy. Post this, alignment with global best standard practices, particularly EU's environment protection policies could be adhered

⁸ Chamberlain and Malhotra, "The India-UK FTA: Finally coming to fruition?", August 2024.

⁹ CEEW, Sustainability driven non-tariff measure, September 2023.

¹⁰ Business World, Online Bureau, March 2025.

to through certain technology or information sharing mechanisms in place between the EU and Indian parties. Joint cooperation in clean energy technology, sustainable infrastructure, and climate finance is essential. India's ambitious renewable targets fit well into the EU green transition vision wherein the EU can leverage its technology and financial capability to support the efforts of India. Collaboration on projects like the International Solar Alliance shows the possibilities of collective action in this area. India's huge population, and rapidly developing economy, means that its actions on climate change will have an enormous effect on the world. The EU can be a significant contributor to assisting India in meeting its climate objectives.

DIGITAL INFRASTRUCTURE:

The digital economy is reshaping the world, and the EU and India share common stakes in forging its future. Joint work in digital technologies, data governance, and artificial intelligence is important. A particular inhibition for smooth working in this domain is that of the hiccup of trade in services. The contention on this stands that the EU has been asking the Indian government to strengthen the Indian privacy laws when India has been looking for pathways such that the EU can include India under the EU General Data Protection Regulation to regulate a smooth and simple data sharing mechanism. This is a big step as the EU is known for being notorious in the digital privacy realm, as it sues even big tech corporations for their failure to comply with the laws already established within the European zone.

Data privacy, ethical AI, and cybersecurity are common interests where there are good opportunities for joint action. Since both the EU and India are up and coming, and digitally oriented economies, collaboration on digital infrastructure, and digital legislation, is a potential idea for increased collaboration. The digital economy is a big sector of the

new world, and it will be even more prominent in the future.

POTENTIAL AVENUES:

While there are existing barriers which prohibit an establishment of an EU-India FTA, it is a question of when and not if for this to be a reality. Europe finds itself in an exacerbated dire need to look elsewhere and diversify its strategic partners, in a time characterised by Indians interests looking to expand their economic and other linkages in the European region, especially when China's BRI is making inroads elsewhere in the international community. Both can take away benefits from the relationship if the FTA is resolved, subsequent to which the world will witness a progressive and strategic partnership between a bloc full of inclusion and a huge country of diverse opportunities.

In order to seize the full potential of the EU-India relationship, a few important steps must be taken. Firstly, each side needs to show a serious political will towards taking the partnership to a next level. Constant high-level conversations and summits are needed in order to build momentum and to tackle new challenges. Secondly, increased strategic exchange on global as well as regional affairs, with a focus on the Indo-Pacific, is pivotal. This will allow for coordination of actions and convergence of views & approaches. Thirdly, encouraging more people-to-people engagements through cultural exchange, educational activities, and tourism is necessary to create mutual understanding and confidence. Fourthly, sustained cooperation on multilateral forums like the United Nations is necessary to present a collective face on critical global issues. Ultimately, it is hoped that both the EU Bloc nation states and India continue to work toward the conclusion of the FTA because the latter will have an enormously wide beneficial impact upon the general relation.

Thus, to usher in a new cooperation of enhanced economic ties between India and the EU,

the wide-ranging issues pertaining to EU-India Free Trade Agreement needs to be resolved and for mutual agreement at earliest, so that any negative implications or shoot offs from President Trump's America First policy can be tackled effectively. Both stakeholders are now recognizing the realistic approach that needs to be adopted in the India-EU relationship, and where there is a reduced image of the US as a hegemon dictating the international trade and otherwise scenario.

Article Authors:

Madhura Vartak

Research Trainee

Political Economy Division

Policy Advocacy Research Centre

Neeraj Deshraj G.

Senior Research Scholar &

Policy Analyst

Political Economy Division

Policy Advocacy Research Centre

Note: All content reflects the individual views of the authors.

REFERENCES:

1. Sherman, M. F. & N. (2025b, February 27). *Trump says 25% tariffs on EU will be announced soon*. <https://www.bbc.com/news/articles/c05ml3q2gn7o>
2. France, & France. (2025, February 26). *Trump says the EU was formed to "screw" the United States*. *France 24*. <https://www.france24.com/en/europe/20250226-trump-says-eu-formed-to-screw-united-states-tariffs>
3. Carmack, D. (2023, December 4). *India-U.S. relations: priorities in the next decade*. *orfonline.org*. <https://www.orfonline.org/research/india-u-s-relations-priorities-in-the-next-decade>
4. Jayakumar, A. (2025, March 15). *US tariffs on steel, aluminium: Why Canada and EU retaliated, while UK is holding out*. *The Indian Express*. <https://indianexpress.com/article/explained/explained-global/us-tariffs-steel-aluminium-imports-canada-eu-uk-9885490/>
5. Alex, R. R. (2025, February 17). *Donald Trump's reciprocal tariff: How US and Indian tariff rates have evolved? What 15% tariff mean for future trade?* *Mint*. <https://www.livemint.com/economy/donald-trumps-reciprocal-tariff-how-us-and-indian-tariff-rates-have-evolved-what-15-tariff-mean-for-future-trade-11739802028651.html>
6. Kar, J. (2025, March 7). *The EU and India are close to finalizing a free trade agreement*. *World Economic Forum*. <https://www.weforum.org/stories/2025/03/eu-india-free-trade-agreement/>

7. Leaders' Statement: Visit of Ms. Ursula von der Leyen, President of the European Commission and EU College of Commissioners to India (February 27-28, 2025). (n.d.). <https://pib.gov.in/PressReleaseFramePage.aspx?PRID=2107015#:~:text=Direct%20the%20India%2DEU%20Trade,and%20sustainable%20Artificial%20Intelligence%2C%20high%2D>
8. Prabhakar, P., & Mallya, H. (2023). Sustainability-driven non-tariff measures: Assessing risks to India's foreign trade. <https://www.ceew.in/sites/default/files/sustainability-driven-non-tariff-measures-and-assessing-risks-foreign-trade-risks-india.pdf>
9. Online Bureau. (2025, March 12). *India-EU Trade Deal Faces Hurdles Despite Push For Conclusion*. Business World. <https://www.businessworld.in/article/india-eu-trade-deal-faces-hurdles-despite-push-for-conclusion550483?form=MG0AV3&form=MG0AV3>
10. It's time to upgrade the EU-India relationship. (n.d.). Centre for European Reform. <https://www.cer.eu/insights/its-time-upgrade-eu-india-relationship>
11. Malhotra, S. (2025, February 20). A new EU-India strategic agenda in 2025. orfonline.org. <https://www.orfonline.org/research/a-new-eu-india-strategic-agenda-in-2025>
12. Roy, S., Mishra, R. D., & A, D. (2025, February 28). India, EU look to seal trade deal this year, Trump keeps markets reeling. The Indian Express. <https://indianexpress.com/article/india/india-eu-look-to-seal-trade-deal-this-year-trump-keeps-markets-reeling9862180/>
13. House, R. (n.d.). India-Europe Relations: a partnership at crossroads. Raisina House. <https://raisinahouse.org/publications/f/india-europe-relations-a-partnership-at-crossroads>
14. GLOBAL TRADE RESEARCH INITIATIVE (GTRI). (n.d.). <https://gtri.co.in/gtriFlagshipReports.asp?ID=97>
15. Luthra, P. (2025, February 28). EU and India must grow together for a sustainable future, says Roxana Minzatu. CNBCTV18. <https://www.cnbctv18.com/world/eu-and-india-must-grow-together-for-a-sustainable-future-roxana-minzatu-19566673.htm>
16. Nachiappan, K. (2024, November 5). Trade and Technology Council: The Path Ahead. Indian Institute of South Asian Studies. <https://www.isas.nus.edu.sg/papers/eu-india-trade-and-technology-council-the-path-ahead/>
17. Noah Chamberlain. (2024, August 8). The India-UK FTA: Finally Coming to Fruition?. orfonline.org. <https://www.orfonline.org/expert-speak/the-india-uk-fta-finally-coming-to-fruition>



Policy Advocacy Research Centre (PARC), a unit of Vivek PARC Foundation is an independent think-tank and socio-economic development oriented implementation agency that engages in progressive impact-driven policy intervention & impact assessment. It focuses on building dialogue-for-impact with members of Central & State Governments, bureaucracy, corporates, small and medium scale enterprises, entrepreneurs, domain experts, academicians, NGOs, other concerned institutions and individuals. PARC aims to engage, structure, study, evaluate & revise policies, reforms and initiate action to positively impact society in the interest of the nation and citizens.

The focus in policy areas ranges from economic development, urban & rural development, human capital development, political development & governance, solid waste management, food & nutrition security, art & culture, industry and more to understand socio-economic issues and suggest action-oriented solutions that can shape the growth trajectory of the economy and contribute to nation development.

PARC engages in dialogue and further action with emerging territories within the country & developing nations to catalyse their socio-economic growth through technology & knowledge transfer, trade, support infrastructural development and an economic multiplier effect through investments. This is with the intent to bring about socio-economic benefits for stakeholders in that region enabling the creation of new grounds for growth on the state, national and international front.

Correspondence Office:

PARC, 208, 2nd Floor, Shilpin Centre, 40, G.D. Ambekar Marg, Wadala, Dadar (E), Mumbai - 400031
+91 2224100290 | contact@parcfoundation.org | www.parcfoundation.org