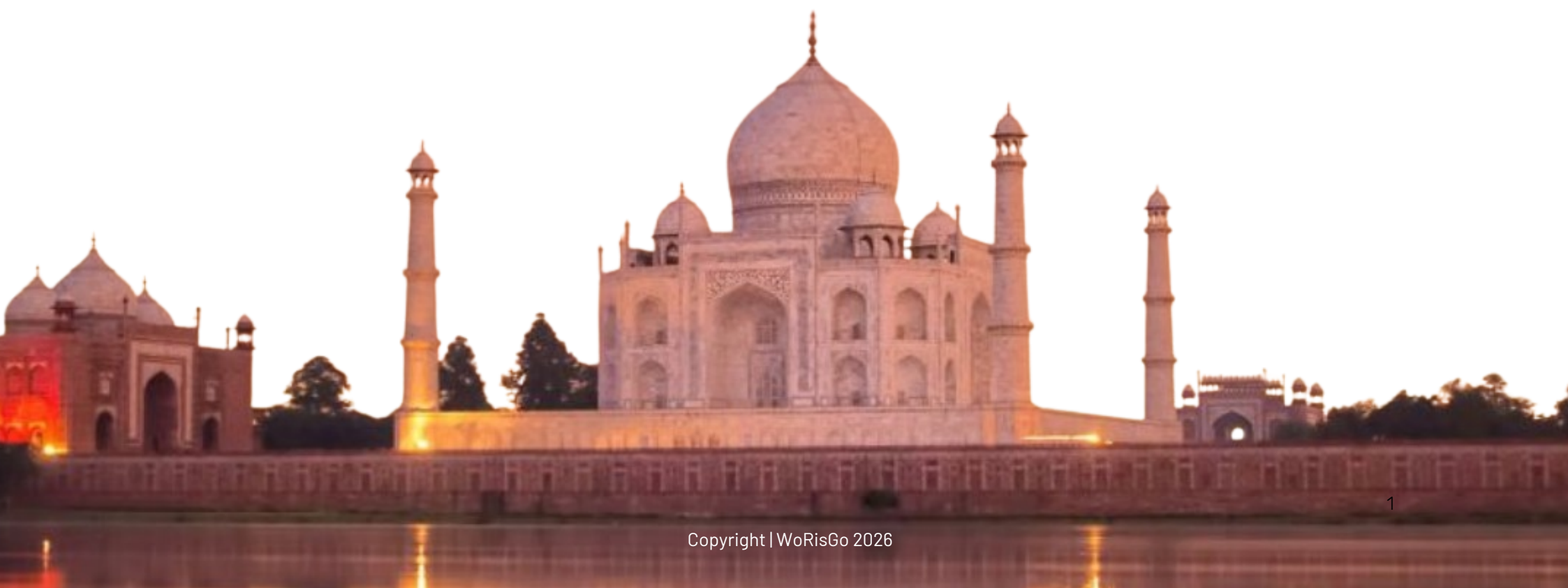


WoRisGo Special Report

EU-India Free Trade Agreement

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Anupam Jadhav



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Executive Summary

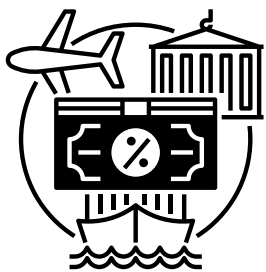
On 27 January, India and the European Union announced the conclusion of negotiations on a Free Trade Agreement (FTA) under which the EU will eliminate tariffs on 99.5% of Indian exports, with the overwhelming majority reduced to zero immediately upon entry into force. The announcement was made at the 16th India–EU Summit in New Delhi, where Prime Minister Narendra Modi hosted Ursula von der Leyen, President of the European Commission, and Antonio Costa, President of the European Council—marking a decisive inflection point in bilateral relations.

Widely described as the “mother of all trade deals,” the FTA is expected to be signed within six months following legal scrubbing and to enter into force next year. Once implemented, it is set to deliver a structural upgrade to India–EU economic engagement, catalysing trade expansion, investment flows, and enhanced market access across key sectors.

The summit, however, extended well beyond trade liberalisation. It reflected a deepening strategic convergence, with discussions encompassing defence and security cooperation, climate action, critical and emerging technologies, and the strengthening of a rules-based international order. The unveiling of a defence framework agreement and a new strategic agenda points to a more institutionalised and enduring partnership.

The timing is geopolitically significant. As Europe recalibrates its strategic and economic dependencies—particularly vis-à-vis the United States and China—the deepening engagement with India underscores a shared emphasis on diversification, resilience, and strategic autonomy. Collectively, the outcomes elevate the FTA from a commercial arrangement to a cornerstone of long-term strategic alignment with far-reaching economic and geopolitical implications.

Why is the Deal Important?



Structural Tariff Realignment: The agreement establishes one of the world's largest free trade zones, integrating the economies of European Union and India into a single rules-based trading framework.



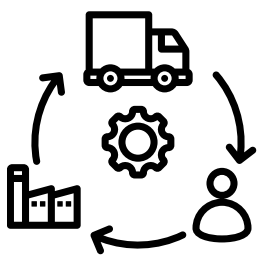
Strategic Hedge Against Protectionism: The deal offers India a critical alternative export market amid rising U.S. trade barriers and signals collective resistance to unilateral protectionism



Industrial and Employment Upside for India: Zero-duty access for labour-intensive sectors enhances export competitiveness and underpins large-scale job creation, particularly in textiles and manufacturing



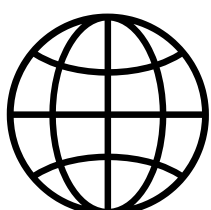
Unprecedented Market Access for EU Industry: India's phased tariff reductions on automobiles, machinery, chemicals, and agri-products grant the EU preferential access unmatched by India's other trade partners.



Supply Chain Diversification and De-Risking: The agreement advances Europe's de-risking strategy by anchoring supply chains in a politically stable, high-growth Indo-Pacific partner

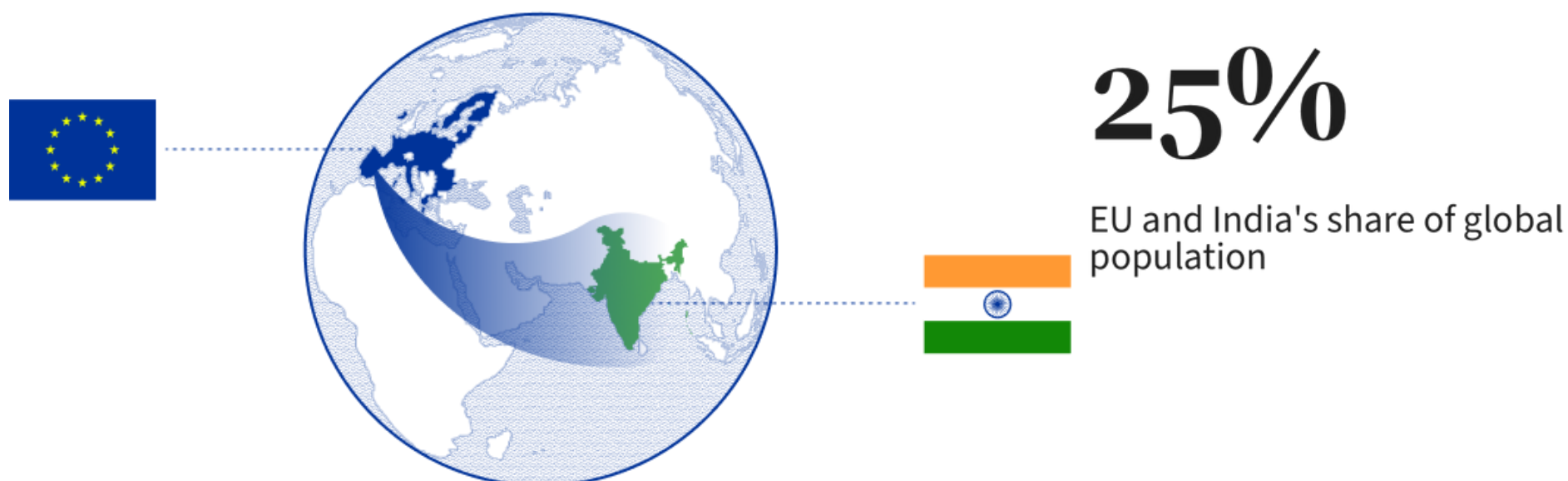


Services Mobility and Knowledge Flows: Provisions on temporary movement of professionals strengthen cross-border services trade, benefitting India's IT, professional services, and education sectors



Reaffirmation of the Rules-Based Global Order: As underlined by Ursula von der Leyen, the deal reinforces multilateral norms at a time of growing global trade fragmentation.

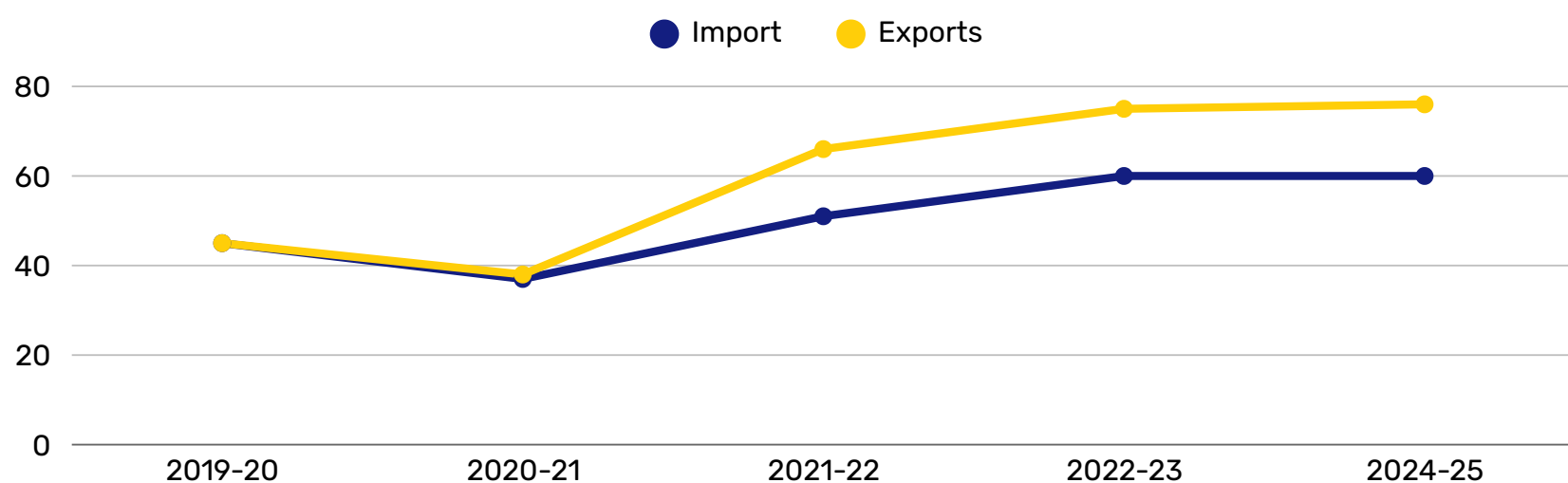
Strategic Context & Timing



- **Economic Scale:** The agreement would integrate markets encompassing over two billion people, account for nearly 25% of global GDP, and link one of the world's largest combined consumer and manufacturing ecosystems.
- **Strategic Timing:** The negotiations converged at a critical juncture defined by intensifying US-China strategic competition, global supply chain fragmentation, and growing friend-shoring imperatives.
- **Erosion of Multilateral Trade Architecture:** The weakening effectiveness of multilateral institutions, particularly the WTO, has increased reliance on large bilateral and plurilateral agreements as vehicles for rule-setting and economic coordination.
- **Climate and Industrial Policy Pressures:** The emergence of climate-linked industrial regulations, including carbon border adjustment mechanisms, is reshaping market access and embedding sustainability standards into trade policy.
- **Beyond Transactional Trade:** Unlike earlier free trade agreements, this initiative is designed not merely to liberalise trade flows, but to shape long-term geopolitical alignment and economic integration between the partners.

From Trade Agreement to Strategic Architecture

Negotiations, launched in 2007, were initially framed around traditional market-access priorities, focusing on tariffs, intellectual property rights, and regulatory harmonisation. Repeated stalling reflected the limits of this transactional approach.



India's trade relationship with the European Union has shifted dramatically, moving from an almost neutral balance in 2019-20 to a \$15.2 billion trade surplus in 2024-25, propelled by a sharp rise in exports to \$75.9 billion, even as imports stayed largely unchanged at \$60.7 billion

A Transformed Strategic Environment: The revival of negotiations in 2022 reflected a fundamentally altered global context in which trade is no longer separated from broader strategic considerations.

Trade as a Security Instrument: Access to markets and critical goods has become inseparable from national security, elevating trade policy into a core component of strategic planning.

Supply Chain Resilience over Efficiency: Reliance on single suppliers or geographies is now recognised as a strategic vulnerability, driving the prioritisation of resilience, redundancy, and trusted partnerships.

From Trade Agreement to Strategic Architecture

India's Exports to EU

Exports (in \$ million)

Period: April – November 2025



Automotive diesel fuel - 5709.9



Smartphones – 2633.3



Aviation turbine fuels – 2607.4



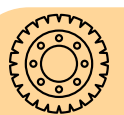
Diamonds – 1079.1



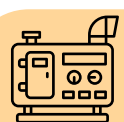
Retail medicines – 922.1



Vehicle spare parts – 640.61



Tyres for agricultural & forestry vehicles – 403.8



Generator parts – 396.8



Shrimp – 367.3



Cotton t-shirts – 361.7

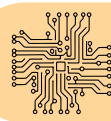
India's Imports From EU

Exports (in \$ million)

Period: April – November 2025



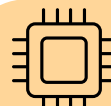
Aeroplanes and other aircrafts – 3272.9



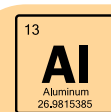
Monolithic Integrated Circuits – 1197.1



Diamonds – 1161.8



Computer processors – 858.6



Aluminium scrap – 527.7



Airline engines – 488.9



Vehicle spare parts – 408.2



Retail medicine – 324.9

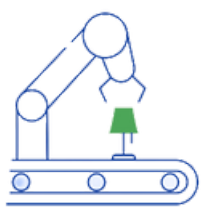
From Trade Agreement to Strategic Architecture

Technology as a Determinant of Power: Control over advanced technologies—particularly in artificial intelligence, semiconductors, clean energy, and cyber and space domains—has emerged as a key determinant of global power hierarchies.

Climate-Linked Competitiveness: Carbon intensity and sustainability standards are increasingly shaping market access, integrating climate policy directly into trade and industrial strategy.

Convergence of Political Will: Political alignment in New Delhi and Brussels reflects a shared recognition that the costs of inaction now outweigh the compromises required, positioning the FTA as a form of economic insurance against global volatility.

Top goods the EU exports to India



machinery and appliances

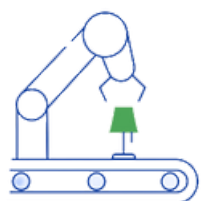


transport equipment



chemicals

Top goods the EU imports from India



machinery and appliances



chemicals



fuels

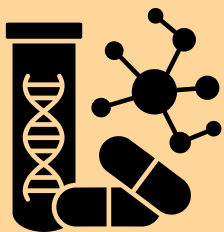
Opportunities for Key Sectors



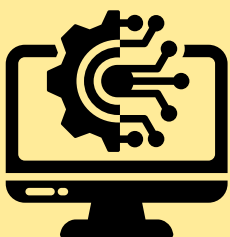
Textiles & Apparel: EU tariffs of 10-12% are being slashed to 0%. This puts Indian exporters on a level playing field with Vietnam and Bangladesh. Expect a 10-15% growth in export volume.



Automotive: India is cutting import duties on EU cars from 110% to 10% (within a 250k unit quota). For Indian firms, duty-free access for auto components into the EU strengthens "Make in India" for global supply chains.



Pharmaceuticals: Beyond tariff cuts, the deal includes "harmonized" approval procedures. This reduces the expensive 2-3 year wait time for Indian generics to enter the EU market.



Information Tech: The deal secures "Mode 4" mobility, making it easier for Indian IT professionals to obtain short-term visas for on-site projects in the EU.



Agri-Food: Duty on Indian tea, coffee, and spices is being removed. Conversely, India is cutting duties on EU wines/spirits from 150% down to 20-30% for premium ranges.

Geopolitical Drivers



China as the Central Strategic Driver: Although rarely stated overtly, China constitutes the principal geopolitical driver behind the India–EU Free Trade Agreement. The agreement is designed to respond to systemic risks arising from economic concentration and strategic dependence.



European Union Perspective and Managing Overdependence: From the EU’s standpoint, prolonged reliance on China for manufacturing, pharmaceuticals, critical minerals, and green technologies has created structural vulnerabilities. The FTA supports the EU’s de-risking strategy by diversifying supply chains without pursuing full economic decoupling.



India’s Perspective in China-Plus-One Opportunity: For India, China represents both a strategic challenger and a competitive benchmark. The FTA advances India’s ambition to position itself as the preferred “China-plus-one” destination for global manufacturing, investment, and technology flows.



Strategic Autonomy and Independence: While the EU frames its objective as strategic autonomy and India emphasises strategic independence, both converge on reducing excessive dependence on any single power while retaining policy flexibility. The FTA operationalises this convergence by creating an integrated economic corridor between two major democratic economies.



Strategic Implication: Taken together, the agreement functions as a structural mechanism to redirect investment, supply chains, and technological cooperation toward a trusted democratic partner, strengthening economic security for both sides without constituting an overtly anti-China alignment.

Opportunities for Automotive

The agreement for the automotive sector is built on a "win-win reciprocity" model. Rather than an open market, it creates a segmented, quota-limited environment that incentivizes local manufacturing in the long run.



Export Leverage (2.5x Ratio): For every one EU car imported, India secures duty-free access for 2.5 Indian-made cars into the EU, turning India into a strategic global export hub.

Market Protection (₹25 Lakh Floor): To shield domestic manufacturers like Tata and Maruti, the EU will not export cars retailing below ₹25 lakh. Tax cuts apply only to the premium/luxury segment.

EV & Component Buffer: Electric vehicles are protected by a 5-year grace period (no cuts until 2031), while duties on auto parts will hit 0%, lowering local assembly costs for all manufacturers.

- **Scale of Market Opening:** The India-EU accord marks a significant shift in India's auto trade policy, with import tariffs on cars set to fall to 10% over five years, from current levels as high as 110%, according to the EU's official statement. This represents one of the deepest concessions India has made in a sector historically treated as strategically protected.
- **Immediate Beneficiaries:** European Automakers: European manufacturers including Volkswagen, Renault, Stellantis, along with premium players Mercedes-Benz and BMW, stand to gain from:
 - Lower landed costs for imported vehicles
 - Greater price competitiveness in the premium and upper-mid segments
 - Improved feasibility of scaling imports before committing to full localisation
- **A Premium-Heavy Opportunity:** Despite tariff reductions, the near-term export opportunity from Europe remains largely confined to premium vehicles. As noted by Stefan Bratzel of the Centre of Automotive Management (CAM), the Indian volume segment remains difficult for European exporters, given price sensitivity and entrenched competition. This reinforces that the FTA opens access, not automatic scale, for EU carmakers

Renewable Energy & Climate Cooperation

The India–EU FTA positions renewable energy and climate cooperation as foundational pillars rather than supplementary add-ons. With €2.5 billion in committed climate finance, green hydrogen at the centre of bilateral cooperation, and Most-Favoured-Nation protection under CBAM, the agreement integrates decarbonisation pathways directly into trade architecture—creating a climate-forward framework designed to outlast geopolitical volatility.

- **Green Hydrogen as Core Export Strategy:** India targets \$10 billion in FDI to build 10 GW of electrolyser capacity by 2030, positioning itself as a potential hydrogen exporter to Europe. This ambition, showcased at European Hydrogen Week in Rotterdam, aligns with EU's future import requirements and establishes hydrogen cooperation as a central pillar of the India–EU Clean Energy and Climate Partnership (CECP) established in 2016.
- **CBAM Safeguards and Carbon Pricing Alignment:** India secured Most-Favoured-Nation protection under the EU's Carbon Border Adjustment Mechanism (CBAM), ensuring non-discriminatory treatment despite CBAM's estimated \$2–4 billion annual cost risk to Indian exporters in steel, aluminium, and cement. The FTA includes:
 - Recognition of India's emerging carbon pricing and verification systems
 - €500 million EU support over two years for emissions reduction and CBAM compliance
 - Technical cooperation on carbon accounting and reporting frameworks
 - Trade growth offsetting CBAM costs, with projected \$50 billion export increase by 2031
- **Climate Finance and Infrastructure Investment:** The European Investment Bank committed €2 billion toward climate-resilient infrastructure in India through the Coalition for Disaster Resilient Infrastructure (CDRI). Combined with €500 million for clean energy transitions, this represents patient capital backing trade commitments with long-term climate finance, supporting solar projects, grid modernization, and renewable energy integration while maintaining energy affordability.
- **Strategic De-Risking Through Clean Energy Supply Chains:** For both partners, the climate framework addresses supply chain concentration risks. The EU reduces dependence on China-dominated clean energy supply chains (solar, batteries, hydrogen), while India positions itself as a trusted alternative manufacturing base. This complementarity—European capital and technology paired with Indian scale and manufacturing capacity—creates resilient pathways for global clean energy industries without concentrated dependencies.

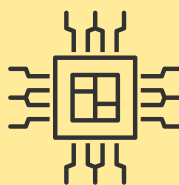
Supply Chains, Technology & Economic Security

From Efficiency to Resilience: The FTA reflects a fundamental shift in trade philosophy—from cost-driven efficiency to resilience anchored in political trust, reliability, and long-term strategic alignment. Supply chain security is now treated as an extension of national and economic security.

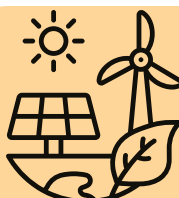
Targeted Supply Chain Integration: The agreement prioritises integration across strategically sensitive sectors where concentration risks and geopolitical exposure are highest, including:



Pharmaceuticals and medical equipment, to reduce dependence on single-country suppliers



Semiconductors and electronics, critical to digital and industrial ecosystems



Clean energy and renewable technologies, central to energy security and climate goals



Critical minerals and materials, essential for advanced manufacturing and defence



Defence and dual-use manufacturing, where supply reliability and trust are paramount

Complementarity of Capabilities: The partnership leverages structural complementarities: Europe contributes advanced technology, capital, and regulatory credibility, while India provides scale, manufacturing capacity, demographic depth, and political stability.

Supply Chains, Technology & Economic Security

Technology as a Strategic Frontier: Control over advanced technologies—including artificial intelligence, semiconductors, clean energy systems, and cyber capabilities—has emerged as a decisive factor in global power dynamics. The FTA establishes frameworks for trusted technology collaboration and reduced exposure to hostile suppliers.

The Tech-Security Corridor: Collectively, these provisions position the India-EU partnership as a “tech-security corridor,” enabling secure innovation, resilient production networks, and coordinated standards-setting across critical and emerging technologies



Climate, CBAM & Rule-Setting Power

Climate Policy Embedded in Trade Architecture: The India–EU Free Trade Agreement integrates climate policy directly into trade and industrial cooperation, reflecting a structural shift in how market access is governed. Sustainability standards and carbon intensity are no longer peripheral considerations but core determinants of competitiveness and long-term economic alignment.

CBAM as a Non-Negotiable Structural Constraint: The agreement leaves the European Union’s Carbon Border Adjustment Mechanism (CBAM) fully intact. EU officials have confirmed that the FTA does not trigger any changes, exemptions, or phased relaxations in CBAM implementation, reinforcing the mechanism as a rules-based, non-discriminatory policy instrument. The EU has also explicitly committed that no country—including the United States—will receive more favourable treatment than India under CBAM, underscoring its uniform application.

Managing Competitiveness Pressures and Transition Risks: For India, CBAM introduces tangible adjustment pressures, particularly for carbon-intensive exports such as steel, aluminium, and cement, where costs could rise significantly as the levy is gradually phased in. While industry analysts expect short-term trade diversion toward markets in Africa and the Middle East, CBAM’s initial application to only a limited share of emissions provides a transitional window for adaptation.

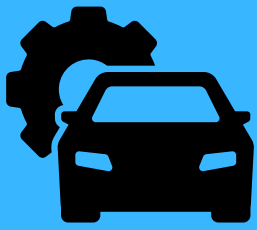
Climate, CBAM & Rule-Setting Power

Technical Engagement and Climate Support Measures: To manage implementation frictions, India and the EU have agreed to structured technical consultations on CBAM-related issues, focusing on reporting, compliance, and emissions accounting. Complementing this, the EU has committed €500 million in support to assist India's decarbonisation efforts and granted a quota of 1.6 million metric tons of duty-free steel exports annually—approximately half of India's current shipments to the EU—serving as a transitional buffer rather than an exemption from climate rules.

Decline of Multilateralism and Bilateral Rule-Setting: With multilateral trade institutions such as the WTO increasingly constrained, mechanisms like CBAM illustrate how large bilateral agreements are evolving into de facto rule-setting platforms. Through the FTA, climate norms, sustainability benchmarks, and industrial standards are effectively being institutionalised beyond the bilateral context, shaping global trade behaviour.

Strategic Implication: By preserving CBAM while embedding cooperative adjustment pathways, the India-EU FTA transforms climate regulation from a purely regulatory constraint into a strategic lever. The agreement positions both partners as norm-setters in sustainable trade, balancing environmental accountability with economic transition and reinforcing their influence over emerging global trade and climate governance frameworks.

Sectoral Impact Analysis



Automobiles

- **Current regime:** High tariffs ranging from 70–110% on fully built vehicles.
- **FTA provisions:** Tariffs reduced to 40% for limited quotas, with a phased reduction to 10%; electric vehicles initially excluded.
- **Strategic impact:** Signals controlled liberalisation, encourages European investment and technology transfer, and supports high-value manufacturing while protecting India's mass-market domestic producers during transition.



Labour-Intensive Exports

- **Key sectors:** Textiles, leather, gems and jewellery, footwear, and engineering goods.
- **FTA impact:** Restoration of competitiveness following the withdrawal of EU GSP preferences through zero-duty access.
- **Strategic impact:** Boosts employment, export growth, and integration into global value chains, reinforcing economic resilience in labour-intensive industries



Technology and Services

- **Scope:** IT services, professional services, education, and knowledge-based sectors.
- **FTA impact:** Improved market access, facilitation of skilled mobility, and enhanced cross-border service delivery.
- **Strategic impact:** Strengthens India's services exports while positioning the EU-India partnership as an innovation-driven economic corridor.



Climate-Linked and Carbon-Intensive Exports

- **Affected sectors:** Steel, aluminium, cement, and other carbon-intensive goods.
- **FTA impact:** Continued exposure to CBAM-linked costs, incentivising cleaner production and emissions reduction.
- **Strategic impact:** Aligns India's industrial trajectory with global climate norms while encouraging long-term competitiveness through sustainability-driven upgrades.

Strategic Impact Matrix

Sector / Domain	Potential Gains	Key Risks / Challenges	Strategic Implications	Timeline of Impact
Automobiles (ICE & EVs)	- Immediate tariff cuts on limited quotas (40%) starting in 2026/27. - Gradual liberalisation to ~10% - European investment & technology transfer - High-value manufacturing opportunities	- Domestic auto industry adjustment needed - EV sector initially excluded, limiting innovation transfer	- Signals India's strategic openness - Reduces EU dependence on China - Aligns with Make in India	- Short-term: 1–3 years (phased implementation) - Medium-term: 5–7 years (structural transformation)
Labour-Intensive Exports (Textiles, Leather, Gems & Jewellery)	- Restoration of market access post-EU GSP withdrawal - Employment & export growth - Improved global competitiveness	- Stringent EU compliance standards - Competition from regional producers	- Enhances India's presence in high-value consumer markets - Builds economic resilience	- Immediate: 1–2 years - Medium-term: 3–5 years (competitiveness restoration)
Engineering & Industrial Goods	- Improved market access - FDI inflows - Technology collaboration	- Complex certification & regulatory hurdles - Price competition with EU products	- Strengthens India's position in high-value manufacturing - EU diversifies supply chains	Medium-term: 3–5 years
Pharmaceuticals & Medical Devices	- Simplified regulatory pathways - Export growth - Knowledge & technology transfer	- High EU standards - Long approval timelines - Risk of non-compliance penalties	- Increases global trust in Indian pharma - Reduces EU reliance on China & other sources	- Short-term: 2–3 years - Long-term: 5–7 years (full integration)
IT & Professional Services	- Greater EU market access - Mobility of skilled professionals - Strategic partnerships	- Regulatory harmonisation challenges - Risk of talent outflow	- Strengthens India's tech diplomacy - Positions EU–India as innovation partners	- Short-term: 1–2 years - Medium-term: 3–5 years
Clean Energy & Critical Minerals	- Joint technology R&D - Renewable energy investment - Access to EU climate-linked finance	- CBAM compliance costs - High upfront capital requirements	- Secures energy-transition supply chains - Reduces China-dependence	- Medium-term: 3–5 years - Long-term: 7–10 years
Semiconductors & Electronics	- FDI inflows - Technology transfer - Integration into global value chains	- Competition with EU & East Asian players - IP and standards complexity	- Positions India as a trusted democratic tech partner - Strengthens EU supply-chain resilience	- Medium-term: 3–5 years - Long-term: 7–10 years
Defence & Dual-Use Manufacturing	- Joint manufacturing - Technology partnerships - Skill development	- Sensitive tech restrictions - Security clearances & export controls	- Enhances EU strategic autonomy - Strengthens India's defence-industrial base	Medium-term: 3–5 years
Carbon-Intensive Exports (Steel, Aluminium, Cement)	- Push towards low-carbon technologies - Alignment with EU sustainability norms	- CBAM may raise costs by 20–35% - Competitiveness adjustment required	- Aligns India's industrial policy with climate goals - Promotes sustainable industrialisation	- Short-term: 1–2 years (compliance) - Long-term: 5–7 years (technology transition)

Risk–Reward Assessment

For India:



Rewards: For India, the FTA offers expanded access to a high-value European market, enhanced export competitiveness for labour-intensive sectors, increased foreign investment, and deeper integration into global supply chains. It also facilitates technology transfer, strengthens India's manufacturing and services ecosystem, and enhances New Delhi's geopolitical leverage within a shifting global economic order.



Risks: Exposure to stringent EU regulatory standards, potential trade asymmetry, domestic sectoral disruptions

For EU:



Rewards: For the EU, the agreement enables supply chain diversification, improved access to one of the world's fastest-growing large markets, and strengthened cooperation in technology, clean energy, and critical industries. It also supports the EU's de-risking strategy by reducing over-dependence on China while reinforcing rules-based trade norms.



Risks: Dependence on political stability and regulatory harmonisation in India, phased tariff reductions could limit immediate gains

Short-Term Versus Long-Term Trade-Offs

In the short term, both sides will absorb adjustment costs, compliance burdens, and sectoral disruptions as market access expands unevenly. Over the long term, however, the agreement promises structural benefits—resilient supply chains, technology integration, employment generation, and strategic economic alignment—that outweigh transitional frictions and position the partnership as a durable pillar of the global economic architecture.

Business Risk Assessment

Executive Risk Summary

The EU-India FTA represents a transformational business opportunity with moderate risk of implementation concentrated in the 6-24 month transition window. Fortune 500 companies face immediate strategic decisions across supply chain reconfiguration, regulatory compliance, market entry timing, and competitive positioning. Early movers will capture disproportionate value; delayed action compounds risk exposure and erodes competitive advantages.

Business Impact Metrics

€2.1T

MARKET ACCESS

+2B Consumers

15-40%

TARIFF REDUCTION

Immediate Impact

€80B+

FDI POTENTIAL

5-Year Window

6-12M

ACTION WINDOW

Critical Period

Strategic Risk Matrix for Business

RISK CATEGORY	RISK LEVEL	BUSINESS IMPACT	MITIGATION PRIORITY
Regulatory Compliance	High	CBAM compliance costs (20-35% for steel/aluminium), EU certification requirements, 27-jurisdiction regulatory maze, non-compliance penalties	Immediate: Establish compliance teams, engage consultants, map certification pathways, budget €5-15M compliance costs
Supply Chain Disruption	Moderate	Facility relocation costs, vendor transition risks, inventory volatility, logistics reconfiguration, 18-36 month transition period	Q1-Q2 2026: Conduct supply chain audit, identify India manufacturing partners, negotiate transition timelines
Competitive Displacement	Moderate	First-movers capture market share, pricing pressure from tariff- advantaged competitors, loss of preferred supplier status	Pre-Ratification: Accelerate market entry plans, secure partnerships, lock in distribution agreements

RISK CATEGORY	RISK LEVEL	BUSINESS IMPACT	MITIGATION PRIORITY
Technology Transfer Exposure	Moderate	IP dilution in joint ventures, proprietary process leakage, forced tech sharing for market access, competitive intelligence risks	Q2-Q3 2026: Strengthen IP protection, tiered technology sharing protocols, cybersecurity upgrades
Market Access Asymmetry	Moderate	Quota limitations (e.g., 250K auto units), sector-specific exclusions (EVs initially), phased liberalization creates uneven opportunities	Strategic Planning: Diversify sector exposure, prepare quota management systems, lobby for favorable terms
Political/Ratification Risk	Low	Implementation delays extend uncertainty, domestic opposition may water down provisions, investment ROI timeline extends 12-18 months	Ongoing: Scenario planning, flexible capital allocation, maintain strategic optionality
Currency & Financial Volatility	Low	EUR-INR fluctuations impact pricing strategies, repatriation challenges, cross-border payment complexities	Treasury Function: Hedging strategies, local currency operations, transfer pricing optimization

Cross-Functional Impact Analysis

Supply Chain & Operations

- ▶ Immediate: Dual sourcing strategy for critical components
- ▶ Facility footprint reassessment (India manufacturing hub potential)
- ▶ Vendor qualification for EU compliance standards
- ▶ Logistics network optimization (EU-India corridors)
- ▶ Inventory rebalancing during transition

Legal & Compliance

- ▶ CBAM reporting framework implementation
- ▶ Contract renegotiations (existing agreements)
- ▶ IP protection in technology transfer deals
- ▶ Regulatory filings across EU jurisdictions
- ▶ Labor mobility documentation (Mode 4 services)

Finance & Treasury

- ▶ €20-50M capital allocation for compliance/transition
- ▶ Tariff savings recalculation (P&L impact modeling)
- ▶ Transfer pricing restructuring
- ▶ Currency hedging for INR exposure
- ▶ Tax optimization (India-EU structure)

Sales & Marketing

- ▶ Pricing strategy reset (tariff-adjusted margins)
- ▶ Go-to-market acceleration in priority sectors
- ▶ Competitive intelligence (track peer moves)
- ▶ Brand positioning for "Made in India" products
- ▶ Customer communication on sourcing changes

Human Resources

- ▶ Talent acquisition for India operations
- ▶ Expatriate programs (EU-India mobility)
- ▶ Compliance training (CBAM, sustainability standards)
- ▶ Workforce transition management
- ▶ Retention strategies for critical roles

Sustainability & ESG

- ▶ Carbon accounting systems for CBAM
- ▶ Decarbonization roadmap (leverage EU €500M fund)
- ▶ Supplier sustainability audits
- ▶ ESG reporting alignment (EU taxonomy)
- ▶ Circular economy integration

Priority Action Matrix

IMMEDIATE (Next 60 Days)



- ✓ Convene executive steering committee on FTA strategy
- ✓ Engage Big 4 consultants for compliance roadmap
- ✓ Conduct rapid supply chain vulnerability assessment
- ✓ Initiate legal review of existing India/EU contracts
- ✓ Budget allocation: €5-20M for transition costs
- ✓ Competitive intelligence: track peer company moves

SHORT-TERM (Q2-Q3 2026)



- ✓ Secure India manufacturing/sourcing partnerships
- ✓ Launch CBAM compliance systems (carbon accounting)
- ✓ File regulatory approvals for priority products (EU)
- ✓ Negotiate facility lease/acquisition in strategic Indian states
- ✓ Pilot programs for tariff-optimized product lines
- ✓ Workforce planning: hire India country lead

MEDIUM-TERM (Q4 2026 - 2027)



- ✓ Operationalize India manufacturing facilities
- ✓ Scale EU market entry (leverage zero-tariff access)
- ✓ Technology transfer agreements (with IP safeguards)
- ✓ Optimize dual EU-India supply chain network
- ✓ Customer migration to new sourcing structure
- ✓ Performance metrics: track ROI vs. projections

STRATEGIC (2027+)



- ✓ Full integration of India into global value chain
- ✓ R&D centers in India for EU market innovation
- ✓ Joint ventures for technology co-development
- ✓ Leadership position in key sectors (auto, pharma, IT)
- ✓ Sustainability leadership via CBAM compliance excellence
- ✓ Continuous improvement: refine based on lessons learned

Sector-Specific Risk & Opportunity Intelligence

Automotive & Components

HIGH IMPACT

RISKS

- Tariff drop 110% → 10% exposes domestic production to EU imports
- 250K unit quota creates capacity management complexity
- EV exclusion delays electrification strategy alignment
- Transition costs: €30-80M for facility upgrades

OPPORTUNITIES

- Zero-duty auto components access to €1.3T EU market
- India as export hub for EU-compliant vehicles
- JV opportunities with European OEMs
- Premium segment growth: €15-25B addressable market

Pharmaceuticals & Healthcare

MEDIUM IMPACT

RISKS

- Stringent EU pharmacovigilance requirements (2-3 year approval cycles)
- Good Manufacturing Practice (GMP) facility upgrades: €10-40M
- Intellectual property exposure in biosimilars collaboration
- Regulatory non-compliance penalties up to €50M

OPPORTUNITIES

- Streamlined approval pathways shorten time-to-market
- Generic drugs: €45B EU market access
- Medical devices: tariff elimination saves 4-7%
- Contract manufacturing: €8-12B potential revenue

Technology Services & IT

LOW RISK

RISKS

- Mode 4 visa processing delays (3-6 months)
- Data localization requirements in select EU markets
- Talent retention challenges (brain drain concerns)
- Margin pressure from increased competition

OPPORTUNITIES

- Professional mobility: +40% easier market access
- Digital services export: €180B addressable market
- Cloud, AI, cybersecurity: premium pricing in EU
- Near-shore advantage vs. Chinese competitors

Steel, Aluminium & Heavy Industry

HIGH RISK

RISKS

- CBAM adds €50-90/tonne cost (20-35% price impact)
- Decarbonization capex: €200-500M per major facility
- Quota limits (1.6M MT duty-free) restrict volume growth
- Carbon intensity reporting compliance: €5-15M annual cost

OPPORTUNITIES

- Green steel premium pricing: +15-25% margins
- EU climate fund access: €500M for Indian industry
- Early mover advantage in low-carbon production
- Technology partnerships for hydrogen steel

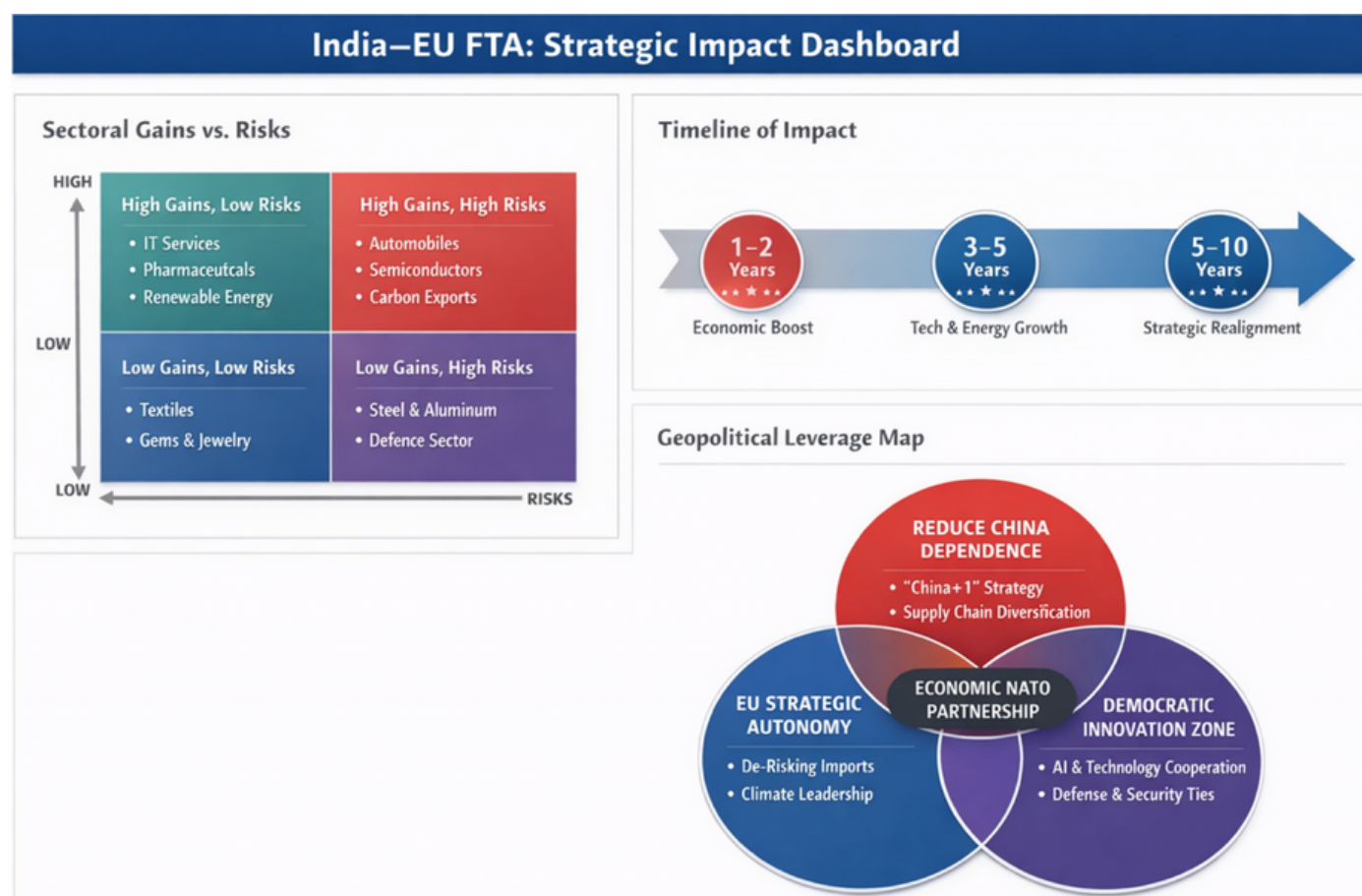
Recommendations

The EU-India FTA creates a 12-18 month window of strategic opportunity for Fortune 500 companies. Firms that move decisively in Q1-Q2 2026 will secure first-mover advantages in partnerships, market access, and talent acquisition. Those who delay face structural disadvantages: higher compliance costs, inferior supplier terms, lost market share, and weaker competitive positioning.

Advisory Actions for Board & C-Suite:

- Immediate: Convene cross-functional task force, allocate transition budget, engage advisory support
- Q2 2026: Finalize India footprint strategy, initiate partnerships, begin compliance implementation
- Pre-Ratification: Lock in competitive advantages before market becomes crowded (6-9 month window)
- Ongoing: Treat FTA as strategic transformation, not operational adjustment—this is a multi-year journey requiring executive commitment and sustained investment

Strategic Implications: Beyond Trade



Viewed holistically, the India–EU Free Trade Agreement functions as a NATO-style economic alignment without military obligations. It establishes a trusted strategic economic zone anchored in shared democratic values and long-term policy convergence.

The agreement secures critical technologies, supply chains, and strategic industries by embedding reliability, trust, and resilience into economic integration. Through structured cooperation, it enables sustained policy coordination and regulatory harmonisation across key sectors.

Collectively, these mechanisms embed resilience against global economic fragmentation, supply chain disruptions, and geopolitical shocks, positioning the India–EU partnership as a stabilising force in an increasingly contested global economic order.

Conclusion

The India–EU Free Trade Agreement, reinforced by a parallel defence and security cooperation framework, does not aim to rewrite global trade overnight. Its true significance lies in how it recalibrates the direction of trade, investment, technology, and supply chains in an era marked by fragmentation, strategic rivalry, and uncertainty. By lowering tariffs, streamlining rules of origin, and advancing regulatory alignment, the agreement strengthens India’s position as a competitive manufacturing and innovation hub while offering the European Union a reliable, democratic partner for long-term economic resilience.

For manufacturers, particularly in automobiles, electronics, defence, semiconductors, and clean energy, the agreement necessitates an immediate reassessment of footprint strategies. Reduced input costs, improved market predictability, and deeper standards convergence collectively lower the risks of producing in India for both domestic and export markets. Exporters and services firms, meanwhile, face a narrow but critical window between the political conclusion of the deal on 27 January 2026 and its formal ratification. Early movers will be better placed to secure partnerships, navigate compliance pathways, and establish market presence before competitive intensity increases.

Beyond its commercial provisions, the India–EU FTA merits description as a strategic economic constitution. It represents the fusion of economic and geopolitical strategy, a structural response to China-centric supply chains, and a hedge against global instability. It offers a blueprint for democratic economic alignment, a functional alternative to increasingly ineffective multilateral trade institutions, and a model for sustainable, technology-linked trade frameworks suited to 21st-century challenges.

The Bottom Line: Success will favour first-movers. As the agreement advances toward ratification and its expected 2027 entry into force, the current political window is the moment for firms to secure partnerships and align with emerging regulatory standards. The India–EU corridor is no longer just a trade route; it is a de-risked strategic hub for the next phase of globalisation. The scheduled visit of French President Emmanuel Macron to New Delhi for the India–AI Impact Summit in February reinforces the political and technological alignment underpinning this shift,

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