Confederation of Indian Industry

India and EU

Expanding Future Horizons

TRADE | TECHNOLOGY | SUSTAINABILITY

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Executive Summary

In a few decades, India has transformed from an agrarian economy into a modern economic powerhouse, now the world's 5th largest economy at USD 3.7 trillion. With IMF-projected ~8% annual growth (fastest among big economies), India is on a fast-track to the top top 3 economies globally by 2030.

The India–EU Strategic Partnership, launched in 2004 and strengthened by a 2025 Roadmap, has evolved into a comprehensive cooperation spanning trade, innovation, climate, and security. The EU is now India's largest trading partner and a key investor, while India's role as a leading voice of the Global South makes it an invaluable ally for Europe.

Call to Action: *As the world faces economic uncertainty and supply-chain shifts, India and the EU "need each other more than ever". We urge EU policymakers and businesses to seize this moment – to deepen collaboration, invest in India's rise, and jointly shape a sustainable, resilient global economy. Now is the time to elevate India-EU ties into a defining 21st-century partnership.*

India and the EU share a dynamic economic relationship with immense potential, but several issues hinder its full realisation. Key challenges include high tariff and non-tariff barriers that restrict Indian exports, emerging EU sustainability measures like the Carbon Border Adjustment Mechanism (CBAM) that Indian industry perceives as trade-distortionary, regulatory hurdles in areas such as data privacy (e.g. GDPR compliance) and delays in concluding a comprehensive FTA (talks were stalled from 2013–2022). At the same time, there are significant opportunities to expand trade and investment, leveraging India's competitive industries and the EU's technology and market scale.

This report recommends a set of policy actions: enhancing market access on both sides (through lower tariffs and removal of non-tariff barriers), instituting a structured India–EU dialogue on carbon and sustainability standards (so measures like CBAM are implemented fairly), pursuing regulatory harmonization and mutual recognition agreements to reduce compliance burdens, expediting the India–EU FTA negotiations to conclude a balanced agreement and securing greater access for Indian companies in EU public procurement and services markets.

Taken together, these steps can forge a stronger, more equitable India–EU economic partnership for the future.

Foreword

India and the European Union (EU) stand at a pivotal juncture in their economic partnership. The EU is India's largest trading partner. Bilateral trade between the two regions was recorded at USD 137.4 billion in 2023-24. The two regions enjoy robust investment links, with EU's cumulative inflows to India during April 2000-September 2023 reaching USD 105.7 billion, accounting for 16% of India's total inflows. As India aspires to become a USD 35 trillion economy by 2047, engagement with the EU is crucial. CII, as India's leading industry association, has been at the forefront of advocating deeper India–EU economic ties that are fair, equitable and balanced, echoing the sentiment that any Free Trade Agreement (FTA) must serve both partners justly.

Over the past years, CII has actively facilitated dialogues – such as the CII India-Europe Business & Sustainability Conclave – to voice industry concerns and opportunities in the India–EU corridor. We have seen encouraging developments: trade has grown, investment flows remain strong, and cooperation now spans strategic areas like telecom, smart manufacturing, pharmaceuticals, climate and renewable energy. Yet, challenges persist. Indian industry continues to face market access barriers and stringent EU standards, while protracted FTA negotiations underscore the need for mutual understanding.

This report by CII's International Research Department provides a perspective on these issues and charts a way forward. It advocates for Indian industry's interests in alignment with India's broader trade policy objectives of growth, sustainability, and self-reliance.

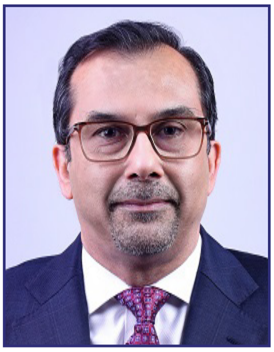
Chandrajit Banerjee
Director General
Confederation of
Indian Industry

President's Note

The India–EU economic relationship is of paramount importance to Indian industry. The EU not only represents a major export destination and source of investment for India but is also a vital partner in our growth journey. Strengthening business ties with Europe will unlock new opportunities for Indian firms in sectors ranging from manufacturing to IT services. It will also enable European companies to benefit from India's expanding market and talent pool. As President of CII, I firmly believe that a forward-looking and balanced trade agreement between India and the EU can be the catalyst for a new era of prosperity. Indeed, the signing of an FTA would significantly enhance bilateral ties – as I emphasized during a recent interaction in Europe, an India–EU FTA can be a "catalyst for further enhancing" partnerships, even at the country level (e.g. India–Italy), by expanding trade and investment flows.

It is crucial that this FTA addresses the key concerns of Indian industry while unlocking reciprocal benefits. India is seeking an agreement that reflects fairness and equity, in line with our Hon'ble Commerce Minister's assertion that trade deals must be fair, equitable and balanced. This means ensuring meaningful market access for India's goods and services and guarding against non-tariff barriers that undermine the pact's benefits.

At the same time, India remains committed to meeting global standards and sustainable trade practices, working with the EU as a partner in areas like green technology and supply chain resilience. I call upon negotiators and stakeholders on both sides to maintain momentum towards an ambitious but mutually beneficial agreement. Indian industry, under CII's leadership, stands ready to collaborate in this process – from providing inputs on sensitive issues to building capacity for compliance with new standards. Together, let us seize this opportunity to forge stronger India–EU business relations that generate jobs, growth, and innovation, and contribute to a more stable and sustainable global economy.



Sanjiv Puri
President,
Confederation of
Indian Industry

I. India's Economic Growth Story – A Land of Opportunities

Unprecedented GDP Growth

India's economy has seen extraordinary growth, with GDP rising from USD 270 billion in 1991 to ~USD 3.7 trillion today. Looking ahead, India is projected to reach USD 35 trillion by 2047 – an almost tenfold expansion – as it aspires to become a developed, high-income nation by its 100th year of independence. Achieving this vision will require ~8–9% annual growth, a bold but conceivable target given current momentum.

Services Boom

Digital Dynamo: India's services sector – especially IT and business services – is booming. Tech exports topped USD 214 billion in 2023-24, and are forecast to reach USD 224 billion in 2024-25, on track to USD 300 billion+ by 2026. India leads the world in digital finance: in 2023 about 49% of all real-time digital payments globally occurred in India, showcasing its digital prowess. A thriving startup ecosystem (100+ unicorns) and world-class IT talent (5.8 million tech workers) make India a digital innovation hub.

Manufacturing Renaissance

With initiatives like "Make in India" and Industry 4.0 adoption, manufacturing is resurging. Production-linked incentives (PLI) in electronics, autos, etc., have turbocharged output – for example, electronics manufacturing grew ~5× since 2014. Notably, mobile phone exports soared from ~USD 0.2 billion in 2014-15 to USD 15 billion in 2023-24, making India a global smartphone production base. India also became the 3rd-largest auto market with ~4.27 million vehicles sold in 2024. A burgeoning EV industry saw sales double in 2023 – electric vehicles are expected to be 30% of new sales by 2030. This manufacturing momentum, coupled with advanced robotics and AI integration, is turning India into an industrial powerhouse.

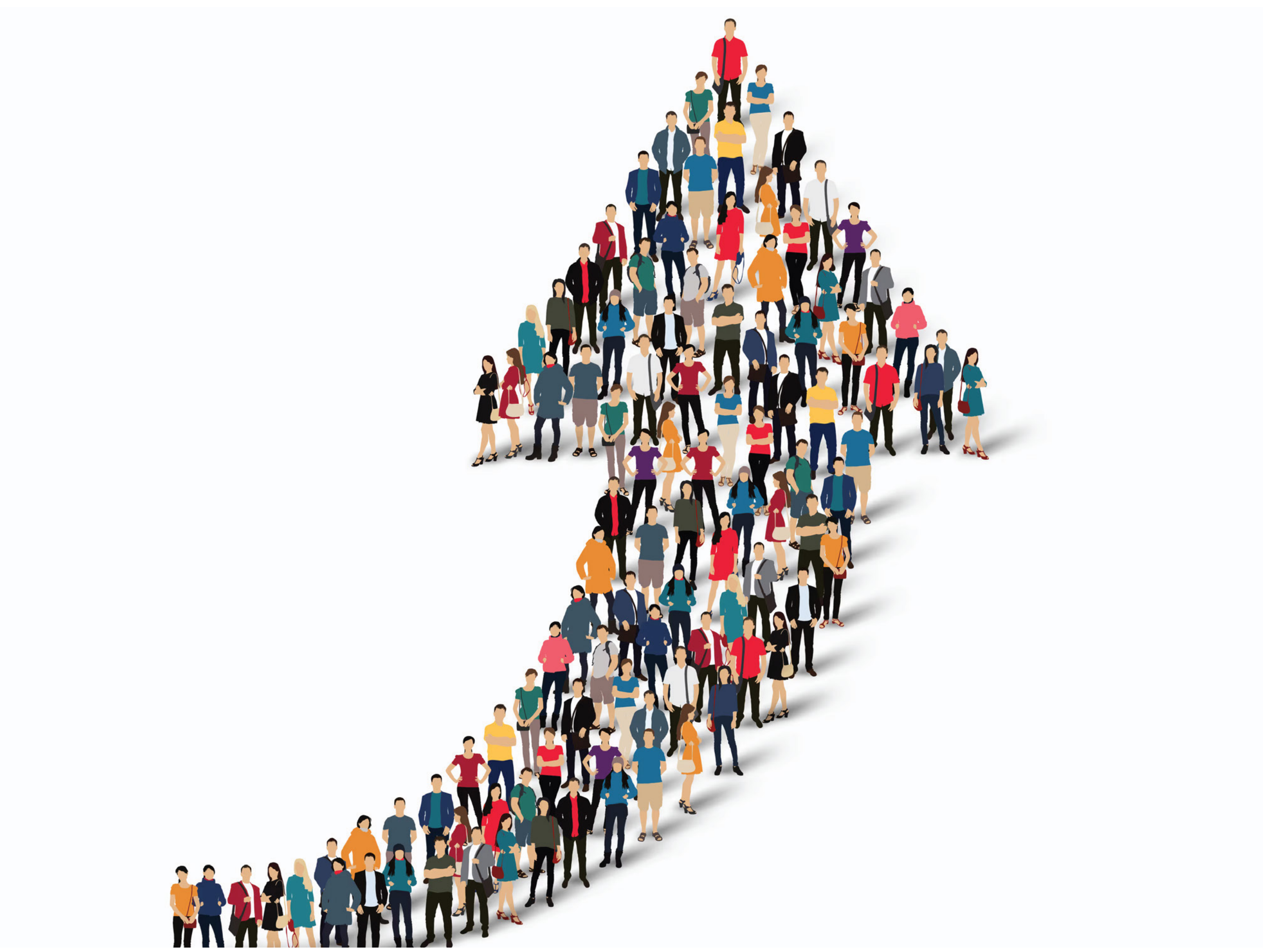
Infrastructure & Connectivity Revolution

India is investing massively in modern infrastructure – highways, rail, ports, airports, and smart cities. The USD 1.5 trillion National Infrastructure Pipeline (2020–2025) is upgrading logistics and urban services nationwide. The Gati Shakti program synchronizes these investments for maximum impact. As a result, logistics efficiency has improved sharply: logistics costs fell to under 9% of GDP (from ~14% a decade ago) and India jumped to 38th in the World Bank's Logistics Index. Annual infrastructure spends hit a record 10 trillion (USD 120 billion) in 2023. Dozens of Smart Cities are being developed with modern transit, renewable energy, and e-governance. These transformative projects are knitting India into one integrated market and unlocking new business opportunities in construction, transport, and urban tech.

The Bandra-Worli Sea Link in Mumbai, an iconic cable-stayed bridge, symbolizes India's modern infrastructure leap. Major projects in roads, rail, and ports are enhancing connectivity and reducing logistics costs.

Rise of the Middle Class

A Consumption Engine: India's demographic dividend is fueling a massive middle-class expansion. Over 400 million Indians are middle-class today; by 2047, over 1 billion citizens (60% of the population) will be middle-class . Their growing incomes and aspirations are making India a consumption-driven economy – already one of the world's largest consumer markets. Household consumption is ~60% of India's GDP and is expected to triple in the next decade, creating huge demand for everything from housing and cars to smartphones and travel. Global businesses (retailers, FMCGs, luxury brands) are drawn to India's market for its sheer scale and growth. As this middle class keeps expanding, India will drive global consumption growth and offer an unprecedented market opportunity for EU firms across consumer goods and services.



II. India–EU Economic Relations

India–EU economic ties at a glance

The European Union has long been one of India's most significant economic partners. In recent years, the EU has consistently ranked among India's top three trading partners. The EU is India's largest partner in goods trade, with bilateral goods trade reaching USD 137 billion in 2023-24, as per official estimates.

Bilateral trade in services has also significantly expanded and was recorded at USD 51.45 billion in 2023. The strengthening services trade underscores growing exchanges in IT, engineering, R&D, and other services.

As per CII estimates, the total trade between India and EU is projected to reach USD 213.19 bn by 2028. In addition, the signing of the India – EU FTA may further increase trade bilaterally, given that the CAGR may further increase owing to lower tariffs.

The two also share strong investment ties. The EU is one of India's top sources for FDI with the EU's cumulative investments to India surpassing USD 100 billion over the April 2000-September 2023 period.

6000 European companies are present in India

Major European companies have a long-standing presence in India's markets (automotive, energy, consumer goods), while Indian companies especially in IT and pharmaceuticals are increasingly investing or expanding in Europe, contributing to jobs and innovation there. These robust trade and investment links form the bedrock of the strategic India–EU partnership. They also highlight the mutual benefit at stake in further strengthening economic relations.

The EU and India share common democratic values, and both emphasize the importance of multilateralism, rules-based international order, and sustainable development. India can benefit from deeper engagement with the EU, particularly in areas like technology transfer, climate change initiatives, trade agreements, and investment flows. Partnering with the EU can also help India access advanced technologies, particularly in renewable energy, green technologies, and digital infrastructure. Additionally, the EU can be an important partner in India's efforts to enhance its manufacturing capabilities, including through the development of sustainable industries and supply chains. As the EU navigates its role in the global order, strengthening ties with India can bolster Europe's influence in Asia.

For Europe's businesses facing stagnation at home, India's billion-plus consumer market and growth trajectory offer a vital new engine for revenue. Early movers will capture market share and partnership opportunities as India liberalizes further.

Recent Trends and Momentum

After a period of stagnation earlier, India–EU ties have recently gained new momentum. Notably, in June 2022 India and the EU relaunched negotiations for a comprehensive FTA after almost a decade-long hiatus. This came alongside separate talks on an Investment Protection Agreement and a Geographical Indications pact. The renewal of talks signals a mutual recognition that the untapped potential in the relationship must be realized. India's approach to trade has evolved in the last few years – the country signed major trade pacts with partners like the UAE and Australia in 2022 indicating greater openness to liberalization.

The EU, for its part, has shown interest in India's large market and the strategic imperative of partnering with a fast-growing democracy. There is also convergence on broader objectives such as resilient supply chains and climate change cooperation. These positive undercurrents form the backdrop of CII's strong advocacy for a swift, substantive India–EU trade agreement that can elevate the relationship to new heights.

CII's Role in Advancing the Partnership

The Confederation of Indian Industry (CII) has been a proactive champion of closer India–EU economic cooperation. We work closely with the Government of India and industry stakeholders to identify bottlenecks, suggest policy solutions, and facilitate business dialogue with European counterparts. CII regularly leads business delegations to Europe and hosts visiting European delegations in India, ensuring a continuous exchange of ideas.

Through platforms like the CII India–Europe Business & Sustainability Conclave, we have spotlighted emerging focus areas in the relationship – including collaborative opportunities in telecom and smart manufacturing, pharmaceuticals, climate action, renewable energy, circular economy and technology innovation.

These areas align with both India's development priorities and Europe's interests, making them ripe for partnership. CII's perspective is that India–EU economic ties are not just about trade numbers, but about a dynamic partnership for sustainable growth. For instance, India's ambitious domestic initiatives (Make in India, Digital India, Green Growth) dovetail with Europe's search for reliable partners. India's large and young talent pool and cost-competitive manufacturing can support Europe's supply chain diversification, while European expertise and investment can support India's modernization drive.

At the same time, CII remains cognizant of the challenges that need resolution. In the sections that follow, we have outlined the key issues as identified by Indian industry in engaging with the EU and our recommendations for policymakers to address them. Our perspective is rooted in ensuring that the India–EU partnership grows in a balanced manner, delivering equitable benefits. Only then will it garner broad support from businesses and translate into long-term economic gains.

III. Why the EU Must Invest in India Now

India: EU's Next Big Growth Market

The European Union is already India's largest trading partner, with goods trade of €124 billion in 2023 (12.2% of India's total trade). The EU is also a top foreign investor with over €108 billion FDI stock in India, spread across 6,000 European companies. Yet, this engagement lags the potential – EU investment in India is less than half of what Europe has invested in China or Brazil. In other words, untapped potential is huge. India's economy is forecast to be the world's 3rd largest by 2030 and keep expanding rapidly. For Europe's businesses facing stagnation at home, India's billion-plus consumer market and growth trajectory offer a vital new engine for revenue. Early movers will capture market share and partnership opportunities as India liberalizes further.

Global Competitiveness on the Rise

Far from being just a back-office, India is emerging as a competitive global manufacturing and innovation base. Major reforms have improved the business climate – India jumped 79 places in the World Bank's Ease of Doing Business rankings (142 to 63) after 2014, thanks to streamlined regulations, digitization, and tax reforms. Corporate tax rates were slashed to 22% (15% for new manufacturers), among the lowest worldwide. The Government's Production-Linked Incentive schemes are effectively turbocharging key industries (electronics, pharma, solar, autos), making local manufacturing more globally competitive. As a result, India is now exporting high-value products (smartphones, autos, machinery) at record pace and integrating into global supply chains.

Digital & Innovation Powerhouse

India's prowess in technology and innovation strengthens its appeal. It is the world's IT services leader, and its achievements in digital infrastructure (like the Aadhaar universal ID and UPI payments) are world-renowned. India's digital economy – from fintech to ecommerce – is set to reach USD 1 trillion by 2030. The country is also investing heavily in R&D, startups, and future tech (AI, biotech, space tech), fostering a vibrant innovation ecosystem. Collaboration with Europe (known for advanced research and Nobel-grade innovation) can create synergies in tech, AI, and Industry 4.0. For European firms, India offers not just a market but also innovation partnerships and talent – exemplified by over 1,500 Global Capability Centers (GCCs) of MNCs in India driving innovation.

Green Energy & Climate Leadership

India is making a historic green transition, opening major investment avenues in renewable energy and clean tech. It already has 203 GW of renewable power installed (46% of capacity) , ranking among the top 3–4 globally. Ambitiously, India targets 500 GW of non-fossil capacity by 2030 – one of the world's largest clean energy expansion plans (solar, wind, hydro, nuclear). It launched a USD 95 billion National Green Hydrogen Mission to become a leading green hydrogen producer. Europe, as a green tech leader, should leverage this momentum: there are vast opportunities in solar and wind farm development, green hydrogen projects, electric mobility, energy storage, and climate-resilient infrastructure. By investing now, EU companies can help India decarbonize while creating new markets for their green technologies – a win-win supporting global climate goals.

Geopolitics & Supply Chain Diversification

Strategically, a deeper EU-India partnership mitigates supply chain risks. European industries learned the risks of over-reliance on single suppliers during recent disruptions. India offers a democratic, stable alternative for diversifying supply chains away from geopolitically sensitive areas. Sectors like semiconductors, critical minerals, pharmaceuticals, and 5G equipment are actively being promoted in India with government support – providing a timely opportunity for Europe to invest and secure supply lines.

The India-Middle East-Europe Economic Corridor (IMEC) – a newly launched connectivity corridor linking Indian and European markets via the Gulf – further underscores India's centrality in future trade routes. By investing in India's growth story now, the EU can secure a reliable economic partner and jointly shape standards in emerging technologies, rather than ceding ground to others.

950 million
internet users

650 million
smartphone users

***164,272** startups,*
***1.6 million** jobs*

100+
unicorns

World's 2nd largest
mobile phone manufacturer

2nd largest
steel producer

4th largest
pharmaceuticals producer by volume

USD 1 trillion
cumulative FDI inflows

4th largest
RE capacity

***7th** in Climate Change Performance Index*

Rank 40
in Global Innovation Index

IV. Key Sectors for EU-India Partnership

Advanced Manufacturing (Aerospace, Defense, Auto and Auto Components, EVs)

India is rapidly moving up the manufacturing value chain, and collaboration with Europe can accelerate this. In aerospace & defense, India opened up to 74% FDI and seeks to indigenize production. A landmark Tata-Airbus venture is building 40 C-295 aircraft in Gujarat – the first private aircraft assembly line in India – with technology transfer from Europe. Such joint projects can expand to fighter jets, helicopters, and space tech. Electric Vehicles are another sunrise area: with India targeting 30% EV adoption by 2030, European automakers with EV leadership can tap India's market and manufacture locally. Joint work on battery technology, charging infrastructure, and electric public transport would benefit both sides.

Moreover, India's huge railway and metro expansion (100+ cities planning metro systems) and High-Speed Rail plans present opportunities for European firms in rolling stock, signaling, and engineering. By combining India's scale and skilled workforce with European innovation and quality, we can co-develop products not just for India or Europe but for the world market.

Logistics & Connectivity (IMEC Corridor)

Integration of supply chains is a priority. The recently announced India–Middle East–Europe Corridor (IMEC) will create a seamless multi-modal route from Mumbai to Europe via the UAE, Saudi Arabia, Jordan, and Israel – vastly reducing transit time. This vision, endorsed by the EU, opens opportunities in railway construction, ports, shipping, and logistics parks along the corridor. European companies with expertise in rail and port management can lead in building these links.

Beyond IMEC, India is privatizing and expanding its ports, airports, and freight rail – European logistics firms can invest in terminals, warehousing, cold chains, and supply chain software to integrate with their global networks. Digital logistics is another frontier (track-and-trace systems, AI for route optimization) where joint innovation can yield efficiency gains. A more connected India–EU logistics network will strengthen resilience and make both partners more competitive vis-à-vis other trade blocs.

Technology, AI & Digital Infrastructure

As two knowledge-driven economies, India and the EU are ideal tech partners. We should establish sector specific technology platforms (as recommended by the High-Level Digital Partnership) in areas like 5G/6G telecommunications, artificial intelligence, quantum computing, and cybersecurity. For instance, Europe's strengths in AI ethics and privacy and India's massive datasets and IT talent could drive development of "responsible AI" frameworks for the world.

India is also the 3rd largest startup ecosystem, witnessing an exponential rise in tech-led startups. India's industrial strength spans advanced manufacturing, deep-tech innovation, and sustainability-driven enterprises and EU and India can build stronger ties in this arena.

Joint R&D centers can be set up – connecting European universities with Indian Institutes of Technology (IITs) – to work on cutting-edge research (e.g. AI for healthcare, climate modeling, or advanced materials). The new EU–India Trade and Technology Council (TTC) launched in 2023 provides an institutional mechanism to fast-track such cooperation. We also need to expand industry–academia linkages: e.g., an EU-India Digital Academy network for student exchanges in STEM fields, mutual recognition of tech qualifications, and co-certification programs in emerging technologies. By co-developing standards and protocols (for AI governance, data protection, etc.), the EU and India can together shape the global tech landscape in line with democratic values.

Semiconductors & Electronics

Semiconductors are the lifeblood of modern industry, and India is determined to build an end-to-end semiconductor ecosystem domestically. The Government has approved a USD10 billion incentive program to attract global chipmakers and display manufacturers, offering to subsidize up to 50% of project costs. This is a golden opportunity for European firms: Europe's semiconductor companies (in chip design, automotive chips, equipment like ASML's lithography, etc.) can partner with India to set up fabrication plants and assembly/test facilities.

Indeed, companies like STMicroelectronics, NXP, and Infineon have operated design centers in India for years – scaling up to manufacturing is the next step. Collaboration can also focus on chips for electric vehicles and renewable energy (power electronics), an area where both Europe and India have growing demand. Moreover, we can establish joint training programs to develop the highly skilled workforce needed – e.g., an "EU-India Semiconductor Centre of Excellence" for training engineers and technicians, with curricula jointly designed by European and Indian experts. By partnering in India's silicon ambition, Europe secures an alternative supply base and India gains from European technology and expertise – building supply chain resilience together.

Green Energy & Climate Collaboration

Sustainable energy is a cornerstone of India-EU cooperation, given our shared commitment to the Paris Agreement. There is huge scope in renewables: India has massive solar potential (300 sunny days/year) and wind corridors and plans to add ~35 GW of renewables each year till 2030. European renewable developers (many world-leading) are investing – but this can scale up vastly. We should create an EU-India Clean Energy Partnership 2.0 that facilitates European investment and tech in Indian projects (solar parks, offshore wind farms, hydro and battery storage) with blended finance and risk sharing mechanisms. Green hydrogen is another game-changer – India's goal to produce 5 million tons by 2030 offers opportunities for European electrolyzer manufacturers and renewable hydrogen firms to set up in India and transfer knowhow.

Additionally, cooperation in smart grids and energy efficiency can help integrate India's renewables smoothly – European grid companies can supply tech for grid stability, smart metering, and cross-border power trade. The two sides have even launched a "Climate Action and Circular Economy" initiative (2021) to collaborate on low-carbon solutions and recycling – this should be leveraged to pilot projects in sustainable agriculture, waste management, and electric mobility. By acting as green partners, India and the EU can lead global efforts in climate mitigation while creating a huge green economy marketplace.

A solar PV park in Gujarat, India. With ambitious targets of 500 GW non-fossil capacity by 2030, India is a prime destination for EU investment in solar, wind, and green hydrogen projects. Joint efforts in renewable deployment and technology can help both partners meet climate goals.

European Union and India have developed a strong and innovative water management partnership. Currently, India-EU Water Partnership (IEWP) is in its third phase, focusing on sustainable solutions in river basin management, climate resilience, urban flooding, and water governance. This includes aspects of wastewater treatment, and real time monitoring and control systems. India and EU can work together to develop innovative water management strategies and foster regional water security.

Agriculture

India and Europe in the recent past have undertaken several dialogues to strengthen cooperation in agriculture. India is one of the leading producers of wheat, and fruits and vegetables in the world. By promoting millets as a superfood, sustainable protein source of plant-based food, Certified natural and organic products, India can play a major role in ensuring food security, which has become a global challenge.

On the other hand, India can significantly benefit from knowledge sharing and technology transfer, by stepping up collaboration in innovative and modern technology, including AI with Europe. Cooperation in this area can lead to greater investments in sustainable farming practices which will enhance agricultural productivity.

During the COP26 climate summit in Glasgow in 2021, India, UK and some EU economies such as Spain and Netherlands signed up for the sustainable agriculture action agenda, by laying out commitments for making farming eco-friendly and sustainable. Collaboration in the areas of agri-tech, food security and sustainable agriculture present significant opportunities for both sides.

Emerging areas such as organic farming also hold many opportunities for both. EU is one of the largest destinations for Indian organic produce. Greater dialogue in standards and regulatory requirements can significantly expand the share of India's organic produce in EU.

Chemicals

India and the European Union can accelerate collaboration on chemicals, primarily focusing on regulatory dialogue, capacity building in India to meet international standards, and promoting cooperation on pharmaceutical manufacturing and quality control, with a key focus on ensuring safe and effective chemical production and trade between the two regions.

Financial Services & Investments

Deepening ties in finance will catalyze all other sectors. India's fintech revolution (from digital payments to digital banking) provides a platform for collaboration. The UPI payment system, which processed 17 billion transactions in a month (December 2024), could be linked with European payment networks – indeed, France is already accepting UPI, and more EU countries can follow. Fintech partnerships can facilitate easier remittances, cross-border payments, and financial inclusion solutions that benefit both regions.

We should also work on enabling European sovereign wealth funds and pension funds to invest in India's infrastructure and green projects – perhaps through an India-EU Investment Facilitation Mechanism that matches EU capital to Indian project pipelines. In the capital markets, listing Indian green bonds in European exchanges or creating joint investment funds for innovation SMEs can be explored. Furthermore, an area to address is regulatory coherence: aligning banking norms, insurance and fintech regulations, and data protection standards to smoothen financial flows.

By fostering a financial ecosystem that encourages mutual investment, we pave the way for the billions of euros needed to fund the next phase of India's growth while offering European investors strong returns from the world's most dynamic large economy.

V. Key Issues for Indian Industry in the EU Market

Despite the overall positive trajectory of India–EU economic relations, Indian businesses continue to face several persistent challenges in accessing the EU market. CII has collated feedback from across sectors, and the following key issues emerge as the most pressing for Indian industry:

A. Market Access Barriers (Tariff and Non-Tariff)

Tariff Barriers

While the EU's average tariffs are relatively low, certain Indian exports confront steep duties in the EU, eroding their competitiveness. For example, India's major exports of textile and apparel products – a major Indian export earner – face import duties typically ranging from about 9% up to 12% in the EU. With India's prior preferential tariffs under the EU's GSP (Generalised System of Preferences) largely withdrawn, these tariff levels put Indian firms at a disadvantage vis-à-vis competitors (some of whom benefit from EU FTAs or GSP concessions).

Likewise, agricultural products, footwear, and automobiles from India encounter tariff peaks in the EU market. High tariffs on these labour-intensive goods make it harder for Indian SMEs and farmers to fully tap into the EU's large consumer base. From CII's perspective, reducing or eliminating such tariff barriers through FTA is essential to unlock export growth and make trade more balanced.

Non-Tariff Barriers (NTBs)

Equally challenging are the non-tariff barriers – the myriad standards, technical regulations, sanitary and phytosanitary (SPS) measures and bureaucratic procedures in the EU. Indian exporters often struggle with complex certification processes, stringent quality and safety standards, and inconsistent customs procedures across EU member states.

For instance, Indian agricultural exports must meet strict EU standards on pesticide residues and food safety which can lead to rejections or long delays. Moreover, regulatory barriers in labelling and food safety approval processes could be eased

Pharmaceutical and medical device companies face elaborate conformity assessments to satisfy EU regulations. Indian pharmaceutical products exported to the EU are subject to batch testing at specified EU laboratories, even if they have already been tested in India. This redundant testing process causes delays in product entry into the EU market. Generic players in the pharma sector face challenges in securing marketing authorization in the EU due to the decentralized procedure. Delays can be of about six months or more.

The Indian exporters in the Wines & Spirits sector have highlighted their main point of contention while trading with EU, which is the strict maturity requirement imposed by EU on Whisky. The EU requires a maturity period of at least 3 years for whisky to be sold in its markets. However, due to India's climatic conditions, Indian Whiskey does not require this maturity period. In fact, this maturity requirement leads to losses to Indian producers. The EU also has various regulations governing the grape varieties, chaptalization, and labeling of wine.

While standards serve legitimate purposes, Indian industry finds that compliance costs are high, and procedures can lack transparency or predictability. A 2019 USTR report had flagged that the GDPR (EU data privacy law) as another example may create disproportionate barriers to trade for non-EU companies.

Such regulations, without adequate support or mutual recognition, effectively act as NTBs for Indian firms. A study on EU market hurdles noted that sectors like carpets, textiles, and leather goods faced non-tariff restriction incidences as high as 60–80% in the EU. These barriers significantly raise the cost of doing business. CII is particularly concerned that NTBs can undercut the benefits of any tariff liberalization. Industry seeks more streamlined processes and acceptance of Indian standards where possible, to ensure market access is not hampered by technicalities.

B. CBAM and EU Sustainability Standards

Carbon Border Adjustment Mechanism (CBAM)

The EU's new climate regulation – CBAM – has emerged as a top concern for Indian industry. CBAM will impose a carbon tariff on imports of certain emissions-intensive products (such as steel, cement, aluminium, fertilizers, electricity, etc.) into the EU equalizing the cost of carbon between domestic and foreign producers.

While CII supports climate action, the design of CBAM is seen as discriminatory and protectionist by many in developing countries including India. The Indian Government has labelled the EU's carbon tax proposal as "unfair and not acceptable" noting it could be detrimental to Indian manufacturers' costs. Indian steel, cement and aluminium exporters worry that CBAM will erode their price advantage and possibly price them out of the EU market. Compliance will require detailed emissions reporting and purchasing of carbon certificates adding to administrative and financial burden.

India is wary that CBAM may become a trade barrier under the guise of climate action. CII echoes the industry's call for greater clarity, fairness and extended transition periods in CBAM's implementation. There is also a call for the EU to recognize India's own climate efforts and not penalize Indian businesses that in many cases have lower per-capita emissions than European counterparts. Without a cooperative approach, CBAM could lead to trade frictions or even WTO challenges which is in neither side's interest.

Evolving Sustainability and Product Standards

Beyond CBAM, the EU is rolling out a suite of new sustainability regulations as part of its Green Deal and digital agenda. Indian exporters are increasingly anxious about measures like the Eco-design for Sustainable Products Regulation (ESPR) and due diligence laws. The ESPR for instance will require products sold in the EU to meet stringent eco-design criteria and include Digital Product Passports for traceability. A recent analysis by Global Trade Research Initiative (GTRI) projects that compliance with such measures will raise costs significantly and hurt exports from developing countries.

By 2030, virtually all products (textiles, machinery, consumer goods, etc.) will need to comply with new sustainability benchmarks, which could be onerous for many Indian manufacturers. Similarly, the EU's deforestation-free supply chain rules and proposed due diligence directives on labour/human rights require exporters to map and audit their entire supply chains.

While laudable in intent these place disproportionate compliance burdens on smaller Indian firms who lack the resources for detailed verification potentially cutting them off from the EU market. Indian MSMEs fear compliance costs may rise by 20–35%, threatening their export competitiveness. CII members have raised concerns that without capacity building and flexibility such standards become de facto non-tariff barriers. The key issue is not the objectives of sustainability – which Indian industry increasingly shares but the process and timing of implementation.

CII advocates for a collaborative India–EU dialogue to align sustainability standards, provide technical assistance, and ensure that regulations like CBAM or ESPR do not unfairly impede India's exports.

C. Regulatory Challenges (Data Privacy, Compliance Costs, Investment Barriers)

Data Privacy and Digital Regulations

In the modern digital economy, regulatory differences in areas like data protection can hinder business. The EU's General Data Protection Regulation (GDPR) is a prime example. GDPR, with its strict requirements on handling personal data of EU citizens, applies to any Indian IT or services company serving EU clients. Achieving compliance has been challenging – studies indicate around 70% of Indian companies with EU clients struggled to meet GDPR rules initially. The costs of implementing required data security measures appointing EU representatives and potential liabilities (fines up to 4% of global revenue for breaches) create significant compliance costs.

For many mid-size Indian tech firms this has been a non-tariff barrier to offering services in the EU. It effectively raises the entry bar, favouring larger companies who can absorb compliance overheads. Moreover, the lack of a data adequacy agreement means Indian firms must navigate these rules without a streamlined mechanism. Indian industry is also monitoring upcoming EU digital regulations (like the Digital Services Act, AI Act) which may introduce new norms affecting exporters of digital services. Ensuring our domestic regulations (such as India's new Personal Data Protection Act 2023) achieve a degree of reciprocal recognition with EU rules would ease these frictions.

Compliance Costs and Testing/Certification

Many sectors report that duplicative or overly stringent testing and certification requirements in the EU add to costs. Chemical exporters cite that the EU's REACH regulation requiring extensive testing of substances; auto component makers must meet various technical standards (often different from Indian or global ones). Without mutual recognition of certifications, Indian companies often must undergo multiple approval processes to sell in Europe.

This especially impacts sectors like pharma and engineering goods – even though Indian pharmaceutical plants are world-class, getting EU GMP approvals involves lengthy inspections. There is also a complex issue of recognizing professional qualifications.

All these regulatory hurdles increase time to market and compliance expenditures. While large firms manage, smaller exporters can be shut out. CII views regulatory harmonization and mutual recognition agreements (MRAs) as critical to reduce these hidden barriers (addressed in recommendations).

Investment Barriers

While EU firms have invested heavily in India, Indian investments in the EU face some obstacles. One issue is the absence of a bilateral investment protection agreement currently in force – India had terminated older BITs with EU member states in 2017 as it developed a new model BIT. The ongoing negotiation of a fresh Investment Protection Agreement is yet to conclude, creating uncertainty for investors on dispute settlement and protection. Indian companies contemplating acquisitions or ventures in Europe do not have the comfort of an investment treaty backing them, unlike European investors in some other countries.

Additionally, Indian businesses sometimes encounter regulatory barriers when investing in the EU: complex procedures under the EU's investment screening mechanism for foreign investments (aimed primarily at security/strategic concerns) can add delays. In certain sectors like telecommunications or defense, Indian investors may face de facto entry barriers. Furthermore, Indian professionals and intra-corporate transferees face visa and work permit constraints in some EU states, limiting the ability of Indian companies to deploy talent to Europe (this overlaps with services issues).

There are issues in the actual implementation of the ICT Directive to non-EU (Indian) firms and entities. From CII's perspective, addressing these investment-related barriers through policy coordination and swift finalization of the investment agreement will encourage two-way capital flows. A stable, secure investment environment is a prerequisite for deeper economic integration.

D. Protracted India–EU FTA Negotiations

Negotiations for an India–EU free trade agreement

Officially the India-EU BTIA (Broad-based Trade and Investment Agreement) negotiations have been underway in fits and starts for a long time. The talks originally began in 2007 but hit an impasse by 2013 due to significant gaps in expectations. For nearly a decade, there was a freeze; negotiations were suspended from 2013 until they were relaunched in 2022. Even after resumption, progress has been gradual. As of late 2024, multiple rounds have taken place, yet a deal remains elusive.

This delay is itself a concern for industry. Every year without an FTA means lost opportunities – Indian exporters continue to face high tariffs in Europe that some competitors (e.g. Vietnam or Bangladesh under GSP) may not. Likewise, European firms eyeing India lack the enhanced certainty an agreement would provide.

Several sticking points have caused delays in the FTA negotiations. Market access asymmetries are one: the EU has demanded deeper tariff cuts by India (especially for automobiles, wines/spirits, dairy) than India was initially willing to concede, while India seeks more openness from the EU in services and labour mobility. Rules on intellectual property and geographical indications (GIs) have been contentious, with the EU pushing for strong GI protection that could affect generic product names in India.

Furthermore, the EU's insistence on chapters covering sustainable development (labour and environmental standards) has been a hurdle – India has viewed some of these asks, including commitments related to emissions and labour rights, as potentially intrusive or "new trade" issues beyond classic market access. In fact, officials indicate that talks have been "getting stuck on rules on trade such as labour and sustainability". Both sides also diverged on the scope of services liberalisation and on government procurement commitments.

The prolonged nature of talks creates uncertainty for businesses planning their long-term market strategies. CII members have expressed concern that if the India–EU FTA keeps dragging, Indian exporters may permanently lose ground in the EU to competitors who have trade pacts (for example, EU's deal with Vietnam, or EU's proposed deal with Mercosur which saw renewed momentum).

There is also the risk of "FTA fatigue" where negotiating capital is spent without result, dampening investor sentiment. Thus, speedy conclusion of a balanced FTA is in industry's interest. CII urges that negotiators adopt innovative solutions to break the deadlock – whether via phased commitments, carve-outs, or adjustment periods – so that the agreement can be finalized.

With both governments now showing political will (as seen by regular negotiation rounds and high-level statements supporting the FTA), the coming months are critical. In the next section, we outline CII's key policy recommendations to resolve these issues and strengthen the India–EU economic relationship.

VI. Policy Recommendations from CII

In light of the challenges discussed, the Confederation of Indian Industry proposes the following policy measures and advocacy priorities to forge a stronger, fairer India–EU business partnership. These recommendations aim to enhance market access, reduce frictions, and expedite the trade agreement in a manner that safeguards India's interests while deepening cooperation with the EU:

1. Urgent Conclusion of India–EU FTA Negotiations

Prioritize a Timely, Balanced Agreement

CII calls upon both the Indian and EU negotiators to inject a sense of urgency into the FTA talks. The window of opportunity is ripe – India is more open to trade deals than before and the EU is keen on diversifying economic partnerships. Prolonging negotiations only perpetuates the status quo of suboptimal market access. We recommend setting clear political timelines to conclude the main agreement perhaps within the next year. High-level political engagement (at summits or ministerial meetings) should be leveraged to resolve key deadlocks. Both sides must be pragmatic and ready to show flexibility.

For India, this might mean offering gradual opening in sensitive sectors (with adequate safeguards for vulnerable communities, like small farmers in dairy) to meet some EU demands. For the EU, it means accommodating India's developmental concerns and capacity constraints – for instance, agreeing to grace periods for implementing complex obligations on sustainability and accepting a more lenient approach on labor clauses (drawing from the EU-Mercosur precedent of flexibility). The outcome should be a "fair, equitable and balanced" FTA, aligning with the principle articulated by India's Commerce Minister. Such balance will ensure the agreement's durability.

Focus on Core Deliverables

To expedite conclusion, negotiators might consider de-linking issues that are not immediately resolvable and focusing on core trade-offs. For example, if agreement on government procurement or on certain intellectual property matters proves too difficult, those could potentially be carved into side negotiations or future work programs, rather than holding up the entire FTA. What industry needs at this stage are the tangible benefits: tariff cuts, services access, investment protection, and facilitative rules. Ancillary topics could be handled in parallel dialogues.

Another approach is a phased FTA – implement the agreed parts now, with a built-in mandate to negotiate outstanding issues (like government procurement or digital trade rules) over time. This way, businesses start reaping gains sooner. The key point is that perfect should not be the enemy of good – a well-balanced deal achieved in a timely manner is preferable to an ideal deal that remains perpetually out of reach. CII stands ready to provide inputs to negotiators to bridge gaps swiftly, including data, impact analyses, and creative solutions from industry's side.

Political Advocacy and Communication

CII also commits to continue its advocacy efforts in both New Delhi and Brussels to build support for the FTA. We will work to highlight the positive-sum nature of the deal – conveying that a stronger India–EU economic partnership benefits not only big corporations but also small businesses, workers, and consumers in both regions. In India, we will communicate how the FTA complements our domestic initiatives (for example, exporters leveraging production-linked incentive schemes can find new markets in EU). In Europe, we will emphasize India's improvements in ease of doing business and openness, to allay any outdated apprehensions. Such advocacy is important to ensure there is broad political will to close the deal.

CII suggests leveraging forums like the EU-India Trade and Technology Council and business roundtables to maintain momentum and resolve any last-mile issues. Both sides should aim to wrap up negotiations with an agreement that can be signed and moved to ratification at the earliest possible date.

2. Enhancing Market Access for Goods and Services

Remove Tariff and Quota Barriers

CII strongly supports an outcome where the EU significantly lowers or eliminates tariffs on Indian goods, especially in sectors of export interest to India. Negotiators should prioritize zero-tariff or low-tariff access for textiles and apparel, leather goods, gems & jewellery, engineering products, and agricultural/processed foods. For example, achieving duty-free access for Indian textiles would greatly improve our competitiveness. Likewise, reduced duties on India's agricultural exports (tea, rice, marine products) and labour-intensive manufactures would boost rural and MSME incomes.

In return, India can calibrate its offers on EU exports of interest, ensuring a balanced outcome.

On services, the FTA should aim to liberalize key service sectors on both sides, including IT/ITES, professional services, R&D, tourism, etc. This means removing equity caps or discriminatory regulations that hinder Indian service providers in the EU, and vice versa. Greater access for Indian nurses, teachers, IT professionals in Europe (through easier work visas) would be a win-win, addressing EU skill shortages while benefiting India.

Both sides should also guard against imposing new non-tariff barriers. As India has emphasized in talks, we need assurances that no new regulations (like technical standards) will abruptly undermine market access commitments. A robust FTA chapter on Technical Barriers to Trade (TBT) and SPS measures, with provisions for consultation and equivalence, can help achieve this.

Revive Preferential Schemes and SME Support

In the interim before the FTA is in force, CII advocates for measures to improve market access such as reinstating some preferential tariff benefits. The EU had graduated many Indian products out of its GSP scheme; reconsidering those exclusions or creating a GSP+ avenue for India (tied to sustainable development goals) could offer relief to exporters in the short term.

Additionally, both governments should establish support programs to help SMEs take advantage of EU market opportunities – e.g. export facilitation cells, information portals on EU regulations, and financing schemes for quality upgrades. These will ensure that smaller firms from India can participate meaningfully in growing India–EU trade.

3. Structured Dialogue on CBAM and Climate Standards

Institutionalize Climate Cooperation

To address industry's apprehensions about CBAM and other green regulations, CII recommends setting up a dedicated India–EU Climate and Trade Working Group. This platform should facilitate regular dialogue between policymakers, industry experts, and technical specialists from both sides on carbon mitigation measures and their trade impact. Through this structured dialogue, India can seek transparency on CBAM's implementation and push for safeguards or transitional arrangements. For instance, India could negotiate an exemption or lower rate under CBAM for a defined period for certain high-employment industries, giving them time to adopt cleaner technologies.

Alternatively, revenues collected by EU under CBAM on Indian goods could be channelled into a fund to help Indian manufacturers reduce carbon emissions – an idea to ensure the mechanism is viewed as environmental rather than protectionist. The working group can also explore aligning carbon accounting methodologies and sharing best practices on decarbonization in steel, cement, etc., so that Indian companies can more easily meet EU requirements.

Ensure Fair and Proportionate Application

Drawing lessons from other negotiations, India should aim for provisions in the FTA or side agreements that protect against punitive climate measures. Notably, in the recent EU-Mercosur understanding, a "rebalancing mechanism" was considered, allowing Mercosur countries to challenge EU environmental measures that undermined the benefits of the trade deal. A similar clause could be sought for India – essentially an insurance that if EU introduces a new regulation like CBAM that significantly affects Indian exports, India can seek compensation or adjustment. This would legally bind both parties to handle climate measures sensitively in context of trade.

Additionally, the FTA could include cooperation chapters on sustainable trade, where the EU supports technology transfer for green tech in India (such as green hydrogen, renewable energy equipment) and capacity-building for Indian firms to meet sustainability standards. By engaging proactively on these issues, India (with CII's input) can ensure that climate action and trade openness go hand in hand. Ultimately, a collaborative approach – rather than confrontation – on CBAM will yield better outcomes. We note encouragingly that EU officials have been open to discussions, acknowledging concerns of countries like India. CII will continue to provide industry perspectives in these talks to arrive at workable solutions.

4. Regulatory Harmonization and Mutual Recognition Agreements

Pursue Mutual Recognition Agreements (MRAs)

One effective way to reduce regulatory frictions is for India and the EU to sign MRAs in specific sectors. Under an MRA, both sides agree to recognize each other's conformity assessments or standards in certain areas, eliminating duplicate testing. CII urges negotiators to prioritize MRAs for sectors where India's standards/regulators are already of high calibre. For example, a pharmaceutical MRA could allow EU authorities to accept inspections and certifications by Indian drug regulators (for GMP compliance), expediting market entry for Indian medicines.

India has shown openness to MRAs – the recent India–UAE CEPA included cooperation on standards and the India–Australia agreement envisaged regulators using each other's reports as appropriate. Building on this, an India–EU MRA on pharmaceuticals, medical devices, electrical equipment, or organic food could be achieved.

Similarly, education and professional qualifications could be an MRA area: mutual recognition of degrees/certifications (for doctors, engineers, architects, etc.) would greatly facilitate services trade. This has been a long-standing Indian ask to ease mobility of professionals. If needed, these could be phased or limited to certain professions initially.

Align Standards and Certification Processes

Even outside formal MRAs there is scope for greater alignment of regulatory regimes. Regulators and standards bodies from India and the EU should increase cooperation – e.g. periodic dialogues between BIS (Bureau of Indian Standards) and CEN/CENELEC (European Committees for Standardization) to work towards harmonizing standards where feasible. Convergence towards international standards (ISO, IEC, etc.) should be encouraged. Additionally, India can upgrade its domestic standards and testing infrastructure in partnership with EU institutions, which will help Indian exporters meet EU requirements more smoothly.

The FTA could include chapters on Good Regulatory Practices, committing both sides to transparency in rulemaking and an early warning mechanism for new regulations. This way, businesses get advance notice and can adapt.

On data privacy, India and the EU should explore the possibility of an adequacy decision or agreement under GDPR for India's data protection regime, once India's new law is fully in force. This would allow easier cross-border data flows by acknowledging India's framework as providing equivalent protection. If full adequacy is challenging, sectoral arrangements (for IT/BPO services) or an interoperable framework can be sought. Overall, regulatory cooperation will reduce compliance costs that currently act as hidden barriers to trade.

5. Facilitate Investment and Financial Flows

As part of regulatory alignment, concluding the Investment Protection Agreement (IPA) alongside the FTA is critical. CII recommends that the IPA include strong protections for investors of both sides – such as guarantees against expropriation, fair and equitable treatment and an effective dispute resolution mechanism. This will instil confidence in businesses to make long-term investments.

Furthermore, dialogues on financial sector cooperation (banking, fintech regulations) can enable smoother capital mobility for trade and investment. If Indian banks can more easily operate in the EU and vice versa, it will support the broader economic relationship.

6. Expanding Access to EU Public Procurement and Services Markets

Public Procurement Access

One of India's strategic goals in the FTA is to secure greater access for Indian companies to the EU's large public procurement market. Currently, Indian firms do participate in EU public tenders, especially in IT and engineering services, since the EU generally has an open procurement regime. However, there is no guaranteed access – and the EU's new International Procurement Instrument (IPI) (effective 2022) empowers the EU to restrict or penalize bidders from countries that do not reciprocally open their procurement. This could disadvantage Indian companies in the future if India's own procurement remains closed.

Therefore, CII supports a mutual opening of procurement in the FTA. The Indian Government can commit to certain transparency and access provisions (perhaps starting with Central Government procurement in select sectors) and in exchange, Indian suppliers get assured rights to bid in EU tenders without discrimination. Indian industry, especially in IT services, consulting, pharmaceuticals, and infrastructure, is competitive and can deliver value in European public projects (as seen by successful execution of contracts by Indian IT firms for European governments). Formalizing this access will create new opportunities.

At the same time, India can maintain reasonable safeguards for small domestic players and critical sectors. A calibrated opening – for example, projects above a certain value threshold – could be negotiated. Importantly, by including public procurement, the FTA would remove the uncertainty of the IPI being applied against India. It ensures Indian firms are on equal footing in EU procurement, which is a market worth trillions of euros across member states.

7. Services Market Liberalization

Expanding access to the EU's services market is another priority area for CII. Indian companies are world leaders in IT-BPM services, engineering R&D, pharma R&D, and are rapidly growing in sectors like healthcare, education, and audio-visual services. Yet, in many EU countries, regulatory barriers or lack of mutual recognition limit their reach. EU has not made commitments either in WTO or in FTAs in audio-visual sector because of cultural sensitivity issues.

It is crucial for India to explore and comprehend the commercial significance of this sector in the EU market including looking at some target sectors/member states in EU that may be less sensitive. EU is reluctant to content-based industries, India could also strategically target newer sectors within the EU such as sound recording, editing, and other post- production services which are strictly not content related where India is becoming more competitive and global. CII also recommends that the FTA include ambitious commitments for Mode 1 (cross-border supply) and Mode 4 (movement of professionals), the areas of India's strength.

Concretely, the EU should facilitate easier work visa quotas and entry-exit conditions for Indian skilled professionals. Even outside the FTA, some positive steps are visible – for instance, countries like Germany and Italy have been expanding work visa openings for nurses, IT workers, etc., from India. A comprehensive framework at the EU level would amplify this, possibly through a pan-EU special visa regime for FTA partner professionals.

Additionally, mutual recognition of professional qualifications (as noted, a type of MRA) in fields like engineering, medicine, architecture would enable Indian experts to offer services in Europe more freely. From the Indian side, we can offer greater access to European service providers in areas like insurance, banking, or higher education, in line with our policy reforms. The goal should be a balanced services pact that leverages complementarities – Europe's capital and technology with India's human resources and IT prowess.

8. Facilitating Mobility and Collaboration

Apart from formal market access, CII suggests supportive measures to broaden services trade. One idea is an India–EU Skills Mobility Partnership that is aligned with the FTA: identify key sectors (digital, green tech, healthcare) and create exchange or training programs to skill Indian professionals according to EU market needs. This would address skill shortages in the EU while giving Indian workers opportunities abroad, fostering goodwill.

Another recommendation is to streamline business travel by implementing multi-year, multi-entry visas for bona fide business travellers and investors from India to the EU and vice versa. Easier mobility will naturally stimulate more services trade and B2B collaboration.

Finally, both sides should encourage joint ventures in services (for example, Indian and European firms co-operating to bid on EU government service contracts or partnering in third-country projects). Such collaboration can be catalysed by the enabling framework of the FTA and would cement long-term business relationships. In summary, opening up public procurement and services is a frontier that can significantly expand the scope of India–EU economic engagement, and CII believes it should be pursued vigorously with adequate safeguards.

9. Enhanced Industry Consultation in Trade Negotiations

The Indian Government should institutionalize a deeper consultation mechanism with industry stakeholders (like CII and sectoral associations) during trade negotiations. Ensuring that Indian businesses have a voice in shaping trade policy will lead to agreements that better reflect on-the-ground realities and industry interests. The Indian Department of Commerce has already taken steps in this direction – for example, it has actively engaged domestic industries for input on technical FTA provisions such as rules of origin in the India-EU talks. Building on this, structured CII engagement (through regular forums, feedback rounds, and inclusion of industry experts in negotiating teams) should be standard practice. Such inclusive policymaking will align trade deals with India's economic priorities and secure broader support from the business community.

10. Sustainability Compliance Support

The Indian Government should assist Indian exporters in meeting the EU's evolving sustainability and green regulations, including carbon-related taxes and stringent supply-chain standards. This could involve capacity-building programs, financial incentives and technical guidance to help firms adopt cleaner technologies and comply with EU requirements on carbon emissions, product sustainability, and due diligence (for example, on deforestation or labor standards). Targeted support is especially needed for carbon-intensive and MSME sectors to upgrade their processes in line with global benchmarks.

Notably, India has announced a "green steel" taxonomy to encourage low-carbon steel production in alignment with international norms – similar initiatives can be expanded to other industries. By proactively helping exporters adjust to EU climate and sustainability norms, the Government can safeguard market access for Indian goods and turn compliance into a competitive advantage for Indian industry.

11. Investment Facilitation

India should work with EU authorities and stakeholders to smooth out regulatory barriers facing Indian companies in European markets. As Indian businesses expand abroad, they may encounter hurdles in the EU such as complex regulations, licensing delays, or standards misalignment. The Indian Government can play a facilitative role by raising and resolving these issues through bilateral channels – for instance, using the EU-India Trade and Technology Council to address specific market access problems and regulatory incompatibilities.

Additionally, streamlining processes at home for outbound investment (simplifying approvals and offering guidance on EU compliance) will empower more Indian firms to venture into Europe. By actively supporting Indian companies overseas – through diplomatic engagement and negotiated solutions for issues like certification acceptance or work visas – the Government advances India's global business footprint and ensures that the benefits of international integration are fully realized by its industry.

12. Trade Facilitation Measures

The Indian Government should continue to strengthen trade facilitation and ease of doing business for exporters. Further digitalization of trade processes is key – recent steps such as the launch of the "Trade Connect" single-window platform to help exporters (especially MSMEs) find new markets, and the DGFT's online JanSunwai grievance redressal system to improve transparency are positive moves. Building on this momentum, customs procedures should be streamlined and made more efficient through automation, risk-based inspections, and faster clearances.

Reducing bureaucratic hurdles (like redundant paperwork or approvals) will cut down transaction costs and time for export shipments. These measures align with India's trade priorities and WTO commitments, and they directly boost the competitiveness of Indian exporters. By making it simpler and quicker to get goods from factory floor to foreign buyers, India can better capitalize on opportunities in the EU and other markets, advancing its export-led growth objectives.

13. Launch India-EU Sectoral Technology Platforms

Create joint working groups or "centers of excellence" in critical industries – e.g., a Digital Innovation Platform (focused on AI, fintech, semiconductors), a Clean Energy Forum (for green hydrogen, battery tech), and an Advanced Manufacturing Hub (for aerospace, robotics, 3D printing). These platforms would bring together industry leaders, startups, researchers, and policymakers from both sides to collaborate on R&D, set common standards, and facilitate pilot projects. For instance, an EU-India AI Task Force could develop guidelines for ethical AI and support projects applying AI in agriculture or healthcare in India, combining EU's regulatory expertise with India's development needs.

14. Expand Industry–Academia Partnerships (Joint R&D and Skilling)

Encourage more linkages between European and Indian universities, research institutes, and vocational training centers. We can set up a co-funded R&D program (similar to Horizon Europe) dedicated to India-EU collaborative research, with calls for proposals on areas like climate-smart agriculture, biopharmaceuticals, or cyber-security. Also, scale up exchanges: significantly increase slots for Indian researchers in EU programs (Erasmus+, Marie Curie, etc.) and vice versa.

Create joint degree programs (e.g., an Indian IIT + a top EU technical university) to train the next generation of engineers and scientists who understand both markets. Skill development is key – we should establish skill centers in India with European curriculum for sectors like renewable energy technicians, logistics management, etc., ensuring a talent pipeline for European investors in India. These efforts will build a shared knowledge base and innovation capacity.

By implementing these strategic actions, we will create an enabling framework that amplifies the benefits of our economic engagement while mitigating friction. It will build a more integrated India-EU economic space, ready to tackle global challenges together.

VII. Conclusion & Call to Action

The India–EU economic partnership is at a historical inflection point. With India's economy ascending and the EU seeking reliable partners in a changing global landscape, both sides have much to gain from a stronger relationship. This report has outlined the key concerns of Indian industry, and the steps needed to address them. CII is fully aligned with the Government of India's vision of integrating with global markets on fair and equitable terms – we believe that boosting exports and attracting investment, as aimed in initiatives like Make in India and Export USD 1 trillion mission, goes hand in hand with securing India's interests in trade agreements. A balanced India–EU FTA, complemented by cooperation on sustainability and standards, will advance India's growth without compromising our domestic priorities. It will also support India's role in global supply chains, aiding both our economic aspirations and the EU's need to diversify sourcing.

CII's call to action is two-fold. First, we urge policymakers and negotiators on both sides to intensify their efforts to resolve outstanding issues and conclude a comprehensive trade agreement as soon as possible. The costs of delay are high – every lost year is a lost opportunity for job creation, innovation, and value creation in our economies. Leadership and flexibility are needed now to bridge differences and deliver a deal that is mutually beneficial. We specifically call on the EU to approach India not just as a market, but as a strategic partner whose development needs merit understanding and flexibility. Similarly, we encourage the Indian Government to continue undertaking domestic reforms (in standards, infrastructure, skilling) that enhance our exporters' competitiveness in demanding markets like the EU.

Second, CII calls upon industry and business leaders to actively support and prepare for this deeper partnership. Indian industry must be ready to meet higher standards of quality, sustainability, and compliance – CII will help through capacity-building seminars on EU regulations, promoting best practices for ESG (Environmental, Social, Governance), and facilitating technology tie-ups. We also encourage Indian companies to articulate their success stories and concerns in EU markets, so that these can be constructively addressed in policy forums. On the European side, we invite companies to increase engagement with India, explore the diverse opportunities across our states, and partner with Indian firms in joint ventures and innovation. The private sector's enthusiasm and initiative will lend momentum to government efforts.

In conclusion, forging stronger India–EU business relations is not just about overcoming challenges – it is about envisioning a shared future of prosperity and sustainable growth. Both India and the EU are committed to values of democracy, openness, and rule-based trade; these common values form a solid foundation for an enduring economic alliance.

The Confederation of Indian Industry reaffirms its commitment to work with all stakeholders in realizing this vision. We are confident that with pragmatic policies and collaborative spirit, the India–EU partnership will scale new heights in the coming years, delivering growth and jobs to millions and reinforcing the ties between our regions. Now is the time to act – to translate dialogues into deals, and potential into prosperity. CII stands ready to play its part in this important journey, ensuring that Indian industry's voice is heard and that India's trade with the EU becomes ever more vibrant, balanced, and beneficial to all.

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Confederation of Indian Industry

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering Industry, Government and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, with around 9,000 members from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 365,000 enterprises from 294 national and regional sectoral industry bodies.

For more than 125 years, CII has been engaged in shaping India's development journey and works proactively on transforming Indian Industry's engagement in national development. CII charts change by working closely with Government on policy issues, interfacing with thought leaders, and enhancing efficiency, competitiveness, and business opportunities for industry through a range of specialized services and strategic global linkages. It also provides a platform for consensus-building and networking on key issues.

Through its dedicated Centres of Excellence and Industry competitiveness initiatives, promotion of innovation and technology adoption, and partnerships for sustainability, CII plays a transformative part in shaping the future of the nation. Extending its agenda beyond business, CII assists industry to identify and execute corporate citizenship programmes across diverse domains including affirmative action, livelihoods, diversity management, skill development, empowerment of women, and sustainable development, to name a few.

For 2024-25, CII has identified "Globally Competitive India: Partnerships for Sustainable and Inclusive Growth" as its Theme, prioritizing 5 key pillars. During the year, it would align its initiatives and activities to facilitate strategic actions for driving India's global competitiveness and growth through a robust and resilient Indian industry.

With 70 offices, including 12 Centres of Excellence, in India, and 8 overseas offices in Australia, Egypt, Germany, Indonesia, Singapore, UAE, UK, and USA, as well as institutional partnerships with about 300 counterpart organizations in almost 100 countries, CII serves as a reference point for Indian industry and the international business community.

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