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STRENGTHENING ECONOMIC INTERDEPENDENCE: THE INDIA–EU FREE TRADE AGREEMENT IN GLOBAL TRADE GOVERNANCE

The India-European Union (EU) Free Trade Agreement (FTA) that was politically concluded in January 2026 can be deemed as one of the most successful stories of the time of modern international trading diplomacy. The agreement aims at strengthening economic integration, trade relations and strategy between India and the EU, which are key players in the world economy. The essay is a critical analysis review of the institutional ratification of the India-EU FTA and an evaluation of its economic implications in the form of bilateral trade and investment figures. Furthermore, it gives an analysis of the implications concerning the international system of trade and economic orientation on the geopolitical level. The research method will involve a qualitative research which will involve the use of secondary information sources, including the official publications of the World Trade Organization (WTO), the European Commission, and the Press Information Bureau (PIB) of the government of India. Moreover, it also uses academic literature that outlines the research topic in terms of international political economy as it is analysed. However, institutional ratification in the multi-level system of governance of the EU can introduce certain complexity in the process. FTA can significantly increase trade bilaterally than the current rates of around USD 136 billion and improve economic cooperation between the developed and the developing economies of the world.

Keywords: *free trade agreements, India-EU relations, trade governance, global political economy, and international trade policy*

JEL classification: *F13, F15, F53*

Угоду про вільну торгівлю (УВТ) між Індією та Європейським Союзом, яка була політично укладена в січні 2026 р., можна вважати однією з найуспішніших історій сучасної міжнародної торговельної дипломатії. Угода спрямована на зміцнення економічної інтеграції, торговельних відносин та стратегії між Індією та ЄС, які є ключовими гравцями у світовій економіці. Дослідження є критичним аналізом



інституційної ратифікації Угоди про вільну торгівлю між Індією та ЄС та оцінкою її економічних наслідків у формі двосторонніх торговельних та інвестиційних показників. Крім того, воно містить аналіз наслідків для міжнародної системи торгівлі та економічної орієнтації на геополітичному рівні. Метод дослідження передбачатиме якісне дослідження, яке орієнтоване на використання вторинних джерел інформації, включаючи офіційні публікації Світової організації торгівлі (СОТ), Європейської комісії та Бюро прес-інформації (БПР) уряду Індії. Крім того, використовується академічна література, яка окреслює тему дослідження з точки зору міжнародної політичної економії, як вона аналізується. Однак інституційна ратифікація в багаторівневій системі управління ЄС може внести певні складнощі в процес. Угода про вільну торгівлю може значно збільшити двосторонній обсяг торгівлі порівняно з поточними показниками, що становлять близько 136 мільярдів доларів США, та покращити економічну співпрацю між розвиненими країнами та країнами, що розвиваються, світу.

Ключові слова: *угоди про вільну торгівлю, відносини між Індією та ЄС, управління торгівлею, глобальна політична економія та міжнародна торговельна політика*

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Introduction:

FTA has become involved in the current global economic diplomacy, and more and more states have resorted to bilateral and regional agreements as a useful instrument in the economic integration process and globalisation complexity. In the evolving geopolitical relations, heightened protectionism and distorted global supply chains, trade relations are being taken as instruments of strategic regulation to stipulate international economies and not as economic relations. The free trade agreement between the European Union and India is a watershed agreement, and it is bound to take place in this changing world scenario. In January 2026, almost 20 years after the initial agreement talks, India and the EU agreed to conclude the deal, politically. It is expected that the agreement will not only open up trade in various spheres, but also reduce the tariffs on most products and increase market openness to both sides. The scope of the agreement is also remarkable, as the EU and India have a large share of the world's economic output. Moreover, they are considered to have one of the largest trading relations between a known regional bloc and a new and dominant country. The two partners have bilateral goods trade of about USD 136.5 billion in 2024–2025, with India registering an export of about USD 75.85 billion and an import of around USD 60.68 billion [1]. Moreover, services trade has grown very rapidly between the two countries, with an estimated amount of EUR 59.7 billion received by 2023, showing the growing intensity of the economic involvement between the two economies [2]. Although the economic value of the accord cannot be underrated, the conclusion of negotiations at the political level does not automatically turn into legal practice; the agreement will need to be officially ratified by both the institutions of India and the EU. The process results in significant institutional governance of trade agreements, politics of ratifying within the EU, and the general ramifications of the India-EU Free Trade Agreement on the global trade policy.

Literature Review:

The theoretical foundations of trade agreements have been broadly discussed both in the framework of international political economy and in the framework of

global trade governance. According to Baldwin (2016) [3], the existing trade agreements are taking a step further in the aspect of tariff liberalisation because they involve the existence of the regulatory cooperation regime, digital trade regulation regime and investment protection regime. Equally, Hoekman and Kostecki (2009) [5] argue that trade agreements that are currently in place are institutional structures that structure the economic transactions between nations and establish the global trade laws. The scholars who conduct research on the topic of the European Union's external trade policy usually describe the EU as a regulatory hegemony, which can export regulatory practises in the form of trade agreements that are more focused on environmental protection, consumer safety, and labour rights [7]. This has become an important part of EU trade diplomacy in trade talks with emerging economies like India. The literature regarding India, as far as the trade strategy is concerned, also represents the gradual de-protectionist and gradualist strategy of India in the direction of selective economic liberalisation and trade accords. As stated by Kumar and Singh (2020) [6], the present trade strategy of India is oriented at achieving the balance between both objectives, export promotion and the growth of the domestic economy. The bilateral agreements, like the India-EU Free Trade Agreement, are becoming increasingly important. According to institutional assessments conducted by the European Commission and the World Trade Organisation, it is becoming significant in addressing non-tariff barriers, harmonisation of regulations and integration of global supplychains. The existing literature brings attention to the issue of the ratification of trade agreements as part of the multi-level system of governance of the EU. Trade agreements conducted in the past, such as the EU-Canada Comprehensive Economic and Trade Agreement (CETA) and the EU-Mercosur consultations, have demonstrated that politics, the environment, and regulatory aspects at home might interfere with the process of ratification. Consequently, the literature indicates that economic and institutional aspects should be used together in estimating the prospects of big trade agreements like the India-EU FTA.

Methodology:

The study utilises a qualitative research analysis method, which has secondary sources. The research is based on the official papers, policy reports, statistical databases and publications of international organisations like the World Trade Organisation, the European Commission and the Government of India. The use of secondary data was also done to note bilateral trends of trade, investment and policy in the manner the trade agreements have been settled. Synthesis of information by way of numerous sources of authorization was accomplished by a descriptive-analytical approach. The review of the institutional practices that are incorporated into the implementation of the India-EU Free Trade Agreement was therefore considered. It also had trade and investment indicators, which are statistics in nature, and which assist in putting into perspective the economic importance of the deal. The approach to the methodology will allow considering both the economic and political sides of the India-EU FTA, without collecting primary data.

Analysis and Discussion:

Economic Significance and Statistical Trends: In the future, the economic significance of the India-EU FTA can be analysed by looking at the extent of the

existing trade agreements between the two parties. The European Union has already become one of the largest trading partners of India, and India is the ninth-largest trading partner of the EU in the world, which constitutes approximately 11.5% of India's total trade in products. There has been a significant increase in bilateral trade between the two countries, and this has been attributed to a 90% increase in the goods trade over the past decade. The bilateral trade structure portrays the harmonising economic advantage of the two partners. The main exports that India makes into the EU are textiles, chemicals, machinery, and mineral products, with the EU exporting machinery, equipment, transport products and sophisticated industrial products to India [8].

A significant element of the economic relationship between the two partners is also foreign direct investment (FDI). India has many investors in the EU, and the stock of FDI increased to approximately EUR140.1 billion in 2023, which is a huge increase compared to 2019 when the figure stood at EUR 82.3 billion [4]. There are about 6,000 European companies actively working in India now that have millions of employees and facilitate industrial growth and transfer of technologies [9].

The FTA is also meant to improve the flow of trade, as it will reduce the tariffs charged on a significant percentage of goods that will be traded between the two countries. The agreement is said to abolish or reduce tariffs on over 96 percent of EU exports into India, with the EU slowly reducing tariffs on virtually all Indian exports. The deal could, by estimates, lead to huge bilateral trade volumes and a reduction of trade costs in billions of euros annually through the reduction of tariffs and regulatory cooperation [2].

Institutional Ratification and Governance: The India-EU FTA implementation will rely on effective ratification on the institutional level of both sides. In India, executive ratification of foreign trade agreements is usually made instead of legislative ratification. The process involves inter-ministerial consultations with the Department of Commerce in the lead, legal review of the Ministry of External Affairs and the ultimate approval of the Union Cabinet. The comparatively efficient process of approval of trade agreements through this centralised executive procedure is possible in contrast to systems that need approval through parliament. On the contrary, the complex supranational system of governance is reflected in the ratification process of the European Union.

Article 218 of the Treaty on the Functioning of the European Union provides that the European Commission negotiates trade agreements on behalf of the EU, the Council of the European Union authorises the signing of the agreement, and the European Parliament gives the final consent [10]. The role of the Parliament is particularly significant because this body is entitled to the right to examine trade agreements and rebuff them in the case they fail to comply with the EU regulatory standards. However, the India-EU FTA was tailored to fit with EU exclusive competence in trade policy, thus it does not require the whole of the national parliaments of the EU member states to ratify it. This distinction contributes greatly to the procedure of the ratification of so-called mixed agreements that need to be approved both at the EU and national levels.

Strategic and Geopolitical repercussions: Other than its economic implications, the India-EU FTA has some serious geopolitical consequences.

The agreement reveals the intentions of both sides in these objectives, bearing in mind the current tense and strategic conflict in the international arena that is characterized by tension in the trade relationships and willingness of both sides to diversify relationships between them and make them more economically sustainable. It seems that the partnership will enhance the collaboration in such new areas as digital technologies, artificial intelligence and clean energy. It also encourages movement of people, processes that can lead to the flow of qualified professionals and students between the two areas, therefore improving the human-to-human relations as well as the transfer of knowledge. Another important point brought out by the agreement is the strategic convergence in the development of the rules-based international trade between India and the EU in general. As important stakeholders within the World Trade Organisation structure, the two partners are also interested in the improvement of the multilateral trade governance, and hope to have bilateral complementary agreements.

Conclusion:

The India-EU Free Trade Agreement is not only a significant move in the sphere of international economic relations but also in bilateral strategic relations. The agreement will not only benefit the two countries in terms of enhancing trade and investment operations between them, but also in terms of enhancing regulatory cooperation and the economic capacity in a more volatile global economy. Statistically, it is evident that India already has an economic relationship of huge dimensions with the EU, and the trade volumes have been increasing to USD 136 billion, and investment flows are still increasing. It is believed that FTA will support these trends through reducing the tariffs, facilitating service trade and promoting collaborations in technology. Though there is indeed a procedural complexity involved in the ratification process through the institutional process of the EU, the name accorded to the agreement in the exclusive competence of the EU implies that the approval will be even faster. Lastly, the India-EU Free Trade Agreement is an economic partnership as well as a strategic platform for cooperation between two significant factors within the world economy. Through strengthening bilateral economic integration and in favour of rules-based trade governance, the accord could contribute to making international trade more stable and sustainable.

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