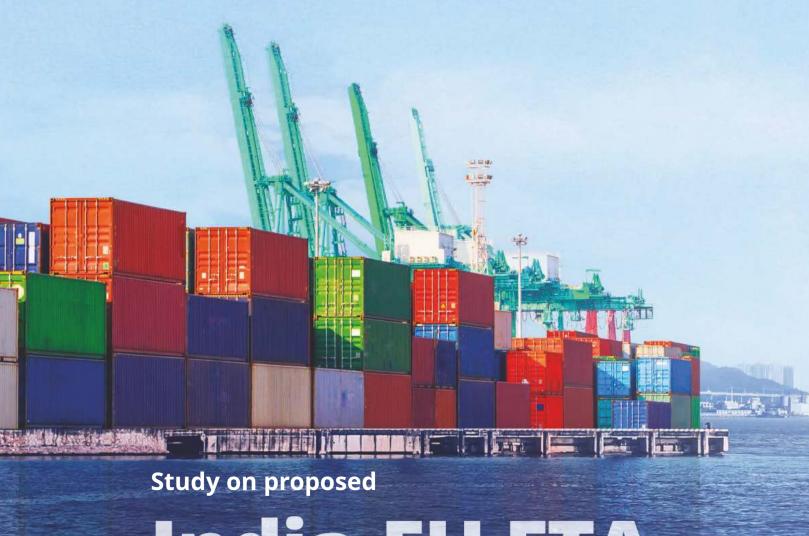


MVIRDC WORLD TRADE CENTER MUMBAI



India-EU FTA

Estimating India's export potential to the EU 2024





Bharat Ratna Sir M. Visvesvaraya (15 September, 1860 - 14 April, 1962)



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India-EU FTA - Estimating India's export potential to the EU

By MVIRDC World Trade Center Mumbai

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Preface

The ever-evolving landscape of international trade necessitates the continuous establishment and expansion of economic partnerships. Due to the protracted nature of multilateral discussions, more countries are turning to bilateral and regional Free Trade Agreements (FTAs). Consequently, the last two decades have witnessed a surge in FTAs worldwide. According to the WTO, there are currently 369 Regional Trade Agreements (RTAs) in force.

FTAs play a vital role in promoting economic growth and development by facilitating international trade and investment. These agreements provide exporters with increased market access for their goods and services by reducing or completely eliminating tariff and non-tariff measures, along with various other provisions.



India is no exception to this trend of increasing FTAs. FTAs have become a key feature of India's trade policy, with the recent Foreign Trade Policy (FTP) setting a target of USD 2 trillion in exports by 2030. India currently has 14 operational FTAs, including one with the four-member European Free Trade Association (EFTA). Since 2014, the country has signed four such agreements with Mauritius, the UAE, Australia, and EFTA.

Negotiations for an FTA with the EU began in 2007, but discussions halted in 2013. However, negotiations resumed in June 2022, aiming to strengthen the economic partnership between both entities. India, as one of the world's fastest-growing major economies, and the EU, a significant economic bloc with substantial global influence, stand to gain considerably from an FTA. The potential benefits extend beyond economic metrics, encompassing enhanced geopolitical ties, cultural exchange, and strategic cooperation in various domains. Nevertheless, aligning regulatory environments, addressing market access barriers, and ensuring equitable benefits across diverse sectors require meticulous scrutiny and strategic foresight.

I am pleased to inform you that MVIRDC WTC Mumbai has prepared this study on the India-EU FTA at such a crucial juncture in the negotiations. This study is based on an in-depth analysis of key trends in India's exports and the EU's imports and EU's tariff and non-tariff profile.

 $I\ extend\ my\ gratitude\ to\ all\ stakeholders\ from\ industry\ and\ research\ institutions\ for\ sharing\ their\ valuable\ insights\ for\ this\ report.$

I hope this report will supplement the existing literature on the India-EU FTA and raise awareness about untapped export opportunities in the EU for aspiring and existing entrepreneurs across various industries.

Dr. Vijay Kalantri

Chairman MVIRDC WTC Mumbai

Executive Summary

The last three years have been remarkable for India's foreign trade, with the country achieving record-breaking export figures for three consecutive financial years (FY). Although India's merchandise exports in FY24 declined by 3% year-on-year due to the global slowdown, the overall export figure still reached a record high of USD 779.2 billion, supported by robust service exports.

India in its recent Foreign Trade Policy has set an ambitious target to achieve USD 2 trillion in exports by 2030, with USD 1 trillion each from goods and services. To meet this target, India needs to scale up its exports by 157% over the next six years. While this goal may seem challenging, it is achievable with the right policy measures.



The government over the recent years has implemented various policy measures to promote domestic manufacturing in the country. In addition to supporting domestic industries, India should focus on signing more comprehensive Free Trade Agreements (FTAs) with major economies worldwide. Since 2014, India has signed four new FTAs including the latest one with the EFTA (European Free Trade Association) and is in talks with other nations for proposed FTAs.

The proposed FTA with the European Union (EU) could be a game-changer for India's foreign trade prospects. The EU, consisting of 27 countries, is the largest importing bloc globally, with total imports of USD 9.1 trillion in 2022. Although the EU is one of India's largest trading partners, India does not rank among the top five trading partners from the EU's perspective. This indicates a significant untapped potential for India to expand its footprint in the EU market.

Against this backdrop, MVIRDC WTC Mumbai has conducted this study, at a time when FTA negotiations between both the economies stand at a crucial juncture. The study, which includes a meticulous analysis of merchandise trade data, has identified an untapped export potential of USD 659.9 billion across 1,199 tariff lines.

The study has also analyzed the EU's tariff profile along with various non-tariff measures to identify sectors that could benefit the most from the FTA. Additionally, the gravity model was used to ascertain the impact of the FTA on the economies of India and the EU.

The study based on valuable insights received by the industry and research institutions, provides recommendations and policy suggestions for India to consider while negotiating the FTA with the EU.

I hope that this study will serve as a valuable roadmap, providing insights that can guide policymakers, industry players, stakeholders and researchers, in understanding India-EU trade dynamics and the potential of the proposed FTA.

Rupa Naik

Executive Director MVIRDC WTC Mumbai

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