

India's Dual Trade Agreements with the EU and New Zealand Signal a Deliberate Shift Toward Diversified, Rules-Based Market Access

This year, India concluded negotiations on a free trade agreement (FTA) with the European Union and brought into force a separate FTA with New Zealand. These moves form part of a broader strategy to lock in preferential access to high-income markets while reducing reliance on any single partner amid rising protectionism elsewhere. The EU deal is by far the larger in scale; the New Zealand pact is smaller but operational and completes a regional pattern. Together they illustrate how a major emerging economy is using bilateral instruments to reshape its external economic orientation.

The India-EU Agreement: Scale and Projected Effects

Negotiations on the India-EU FTA concluded on 27 January 2026 at the 16th India-EU Summit in New Delhi. Both sides described the outcome as the “mother of all deals.” The European Commission submitted formal proposals for signature and conclusion in September 2026. Signature is expected in late 2026, with entry into force projected for early 2027 once European Parliament consent and India's internal procedures are complete. The text remains subject to legal scrubbing and is not yet binding.

EU-India Goods Trade Flows (2015–2025)

Source: European Commission / Eurostat Comext (million EUR)

Current bilateral flows provide the baseline. In fiscal year 2024–25, India-EU merchandise trade reached approximately \$136.5 billion, with Indian exports of \$75.9 billion and imports of \$60.7 billion. Services trade stood at roughly \$83 billion in 2024. Combined goods and

services trade has been estimated in the range of €180–192 billion (roughly \$200–215 billion at recent exchange rates near 1.12 USD per euro).

The EU accounts for about 11–12 percent of India's total goods trade and is one of India's top partners; India is the EU's ninth-largest goods trading partner. The two economies together represent roughly 25 percent of global GDP and a consumer market of nearly two billion people. Official statements have framed the agreement as covering a substantial share of global trade flows.

India–EU Goods Trade (FY 2020-21 to 2024-25)

Source: DGCIS / Indian Department of Commerce (USD billion)

Key provisions include substantial tariff liberalization. The EU is set to eliminate duties immediately on roughly 90 percent of Indian goods by value (covering about 90.7 percent of India's export value on day one), rising toward 93 percent over several years, with overall concessions on nearly 99.5 percent of bilateral trade value. Approximately \$33 billion in Indian labor-intensive exports (textiles, apparel, leather, footwear, marine products, gems and jewelry, and related items currently facing duties of 4–26 percent) will face zero duty upon entry into force. India's average tariff facing EU goods is expected to decline significantly, with elimination or reduction on over 90–96.6 percent of EU export value. Sensitive sectors (certain agricultural products, dairy, and some others) remain protected on both sides. Automobile tariffs on EU vehicles are scheduled to fall from 110 percent toward 10 percent under a 250,000-unit annual quota, phased over years; machinery, chemicals, and pharmaceuticals also see deep cuts. The EU projects annual duty savings of up to €4 billion (approximately \$4.5 billion) for its exporters and expects its goods exports to India to roughly double by 2032. Indian officials have cited the potential for substantial export gains,

including in labor-intensive sectors that could support multi-million job creation if market share expands.

Additional chapters address services, rules of origin, customs facilitation, SMEs, digital trade, and intellectual property. Separate tracks continue on investment protection and geographical indications. Implementation will be staged, and non-tariff barriers and regulatory alignment remain important variables.

The India-New Zealand Agreement: Immediate Operational Effects

The India-New Zealand FTA was signed on 27 April 2026 and entered into force on 20 October 2026. Negotiations, relaunched in 2025 after earlier pauses, concluded relatively quickly. New Zealand grants immediate zero-duty access on 100 percent of its tariff lines for Indian goods, eliminating peak rates of up to 10 percent. Benefiting sectors include textiles, apparel, leather, footwear, engineering goods, pharmaceuticals, chemicals, processed foods, and others. India offers concessions on about 70 percent of its tariff lines, covering roughly 95 percent of the value of current New Zealand exports, while excluding sensitive items such as dairy, certain pulses, sugar, and related products. Calibrated tariff-rate quotas apply to items such as apples and kiwifruit.

India–New Zealand Merchandise Trade

Source: Tradestat / Department of Commerce (USD million)

Baseline trade is modest: goods and services combined stood at approximately \$2.4 billion. Indian goods exports to New Zealand were in the range of \$550–650 million in recent periods.

The stated target is to roughly double bilateral goods and services trade to NZ\$7 billion (approximately \$4 billion at current rates near 0.57 USD per NZD) by 2030. New Zealand has committed to facilitate \$20 billion in investment into India over 15 years, directed toward manufacturing, infrastructure, agriculture, and related areas. Services commitments cover more than 100 sectors, and the agreement includes pathways for up to 5,000 temporary employment visas for skilled Indian professionals, working-holiday visas, and enhanced student mobility provisions. With this pact in force, India has preferential arrangements covering all RCEP members except China.

Broader Strategic Context and Global Implications

These agreements sit within India's recent acceleration of FTA activity (including earlier pacts with the UAE, Australia, EFTA, the United Kingdom, and Oman). The timing coincides with elevated U.S. tariffs on certain Indian exports and wider fragmentation in global trade rules. For the EU, the deal supports diversification of supply chains and access to a high-growth market while managing dependencies. For New Zealand, it opens preferential entry into India's large consumer and industrial base from a small existing foothold.

Quantitatively, the EU agreement is the dominant factor. Even modest percentage gains on a \$136.5 billion goods base, plus services, can move the needle on Indian export composition and employment in labor-intensive industries. Modeling cited in official and secondary sources points to significant bilateral trade expansion once implemented, though realization depends on rules-of-origin compliance, logistics, standards, and utilization rates. The New Zealand pact adds a smaller but clean zero-duty platform and an investment signal; its immediate effect is more about market parity and services/mobility than volume.

Collectively, the two deals expand the share of India's trade covered by preferential terms and reduce the relative weight of any single high-tariff market. They also embed India more deeply into developed-economy value chains at a moment when many advanced economies

are recalibrating China exposure. Challenges remain: ratification timelines for the EU deal, phase-in periods that delay full benefits, residual non-tariff measures, and the need for Indian firms to meet origin and compliance requirements at scale. Sensitive agricultural exclusions limit the depth of liberalization in both directions.

From the standpoint of global trade architecture, the agreements reinforce bilateral and plurilateral instruments as the primary vehicles for liberalization while multilateral processes remain constrained. They expand the set of high-standard rules applied to a large emerging market and create reference points for future negotiations. For third parties, including the United States, they alter relative market-access conditions in the EU and Oceania and may influence the competitive position of U.S. exporters and investors in sectors where tariff differentials widen. The practical magnitude will depend on implementation fidelity and the response of firms to the new preferences.