Why India is Germany’s Partner of Choice in a Changing World

In an era marked by geopolitical shifts, supply chain vulnerabilities, and the imperative for diversified partnerships, Germany’s engagement with India has ascended to unprecedented levels. Chancellor Friedrich Merz’s landmark visit to India on January 12-13, 2026, his inaugural trip to Asia since assuming office in May 2025, underscored Berlin’s strategic pivot toward New Delhi. Held in Gandhinagar and Ahmedabad, the summit coincided with the 25th anniversary of the Indo-German Strategic Partnership and the 75th year of diplomatic relations, yielding 19 Memoranda of Understanding (MoUs) and Joint Declarations of Intent across defense, technology, critical minerals, and green energy. This collaboration is particularly timely against the backdrop of accelerating India-EU Free Trade Agreement (FTA) negotiations, with 20 of 24 chapters finalized as of January 2026 and a potential signing slated for the India-EU Summit on January 27. For Germany, Europe’s economic powerhouse, this partnership promises substantial benefits: enhanced market access, reduced dependency on China, bolstered defense exports, and innovation-driven growth. As Merz emphasized, India represents a “partner of choice” for Germany, offering vast opportunities amid global uncertainties.

The “Focus on India” strategy, adopted by the German government in 2024, recognizes India’s trajectory as the world’s third-largest economy by 2027, with a burgeoning middle class and digital prowess. Bilateral trade surpassed €35 billion in 2025, marking a 15% year-on-year increase, while German FDI in India reached US$15.11 billion cumulatively from 2000 to March 2025. Over 2,000 German companies operate in India, employing 400,000 locals and generating synergies in sectors like automobiles, chemicals, and renewables. The impending EU-India FTA, hailed as the “Mother of All Deals” by Indian Commerce Minister Piyush Goyal, could amplify these gains by slashing tariffs—averaging 12% on EU goods entering India—and unlocking €20 billion in additional trade. This agreement, excluding sensitive agricultural sectors like dairy to mitigate domestic concerns, aligns with Germany’s de-risking agenda, especially post the Russia-Ukraine conflict and U.S. tariffs on Indian goods in August 2025.

Defense Collaboration

Defense ties have transitioned from consultative dialogues to robust industrial partnerships, yielding direct economic and strategic advantages for Germany. The Joint Declaration of Intent on Strengthening Bilateral Defence Industrial Cooperation, signed during Merz’s visit, paves the way for co-development, technology transfer, and co-production of advanced platforms. This framework supports German firms like Thyssenkrupp Marine Systems (TKMS) in India’s Project 75I, a €5 billion initiative to build six AIP-equipped submarines with Mazagon Dock Shipbuilders Limited (MDL). For Germany, this deal not only secures high-value exports—potentially creating thousands of jobs in Kiel and beyond—but also positions Berlin as a key player in India’s naval modernization, reducing New Delhi’s reliance on Russian suppliers amid Western sanctions.

> Defence cooperation is high on the agenda during German Chancellor Friedrich Merz’s visit to India.
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> A military cooperation between New Delhi and Berlin could potentially decrease India's long-standing dependence on Russia for bolstering its military capabilities. pic.twitter.com/YJfIOkxe6e
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> — DW News (@dwnews) January 11, 2026

Germany’s defense exports to India surged 15% to €1.2 billion in 2025, making India Berlin’s second-largest European arms market after France. Simplified export controls have cleared a 21% backlog, facilitating smoother transactions. Operational engagements, such as Germany’s participation in India’s MILAN naval exercise and TARANG SHAKTI air drills in 2026, enhance interoperability and intelligence sharing via a liaison officer at India’s IFC-IOR. Discussions on UAVs, including potential involvement in India’s MALE drone program, leverage German expertise for joint R&D, fostering innovation and market expansion.

Strategically, this partnership bolsters Germany’s Indo-Pacific presence, aligning with its 2020 guidelines for the region. Amid China’s assertiveness, collaborative

maritime domain awareness and logistics support reinforce a rules-based order, benefiting German trade routes—90% of which traverse the Indian Ocean. For German industry, co-production under India’s “Make in India” initiative opens doors to offset requirements, technology localization, and access to India’s vast defense budget, projected at US$80 billion in FY2026. This diversification mitigates risks from declining Russian markets, ensuring sustained revenue for firms like Rheinmetall and Diehl Defence.

In the FTA context, defense provisions could harmonize standards and ease technology transfers, amplifying these benefits. As Merz noted, deeper defense ties are of “particular strategic importance,” cutting India’s Russian dependency while elevating Germany’s global security role.

Trade Expansion

Trade remains the bedrock of Germany-India relations, with Germany as India’s top EU partner, accounting for 25% of India’s EU trade. In 2024, bilateral goods and services trade exceeded US$50 billion, sustained into 2025 with German exports to India reaching US$18.3 billion—primarily machinery, electrical equipment, and chemicals. India’s exports, including pharmaceuticals and auto components, totaled US$10.54 billion, highlighting a balanced yet growing exchange. Projections aim for €50 billion by 2030 under Germany’s “India First” doctrine, driven by diversified supply chains.

> India is emerging as one of our key economic partners. Many German companies depend on Indian skilled workers and the dynamism of this market. That is why we are intensifying our efforts to finalize an EU–India trade agreement. This is in our mutual interest.
> pic.twitter.com/qscY1rtZQW
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> — Bundeskanzler Friedrich Merz (@bundeskanzler) January 13, 2026

For Germany, India offers a resilient alternative to China, where dependencies in critical sectors like rare earths and electronics pose risks. Over 2,000 German firms

in India, including Siemens, Bosch, and Volkswagen, have invested €2 billion from Indian counterparts, creating 20,000 jobs in Germany. Recent investments, such as Deutsche Bank’s €571 million in November 2024 and Schneider Electric’s €338 million in February 2025, underscore confidence in India’s market. Services trade hit US$17.03 billion in 2024, with Indian IT exports to Germany growing 20% to US$10.31 billion, supporting German digital transformation.

The EU-India FTA accelerates these gains. With 11 negotiation rounds completed by June 2025 and the 12th ongoing, the pact promises tariff reductions on 90% of goods, boosting German exports in autos (facing 100% Indian duties) and chemicals. EU exports to India could rise over 50%, per European Parliament estimates, creating jobs and enhancing competitiveness. Amid U.S. tariffs hiking duties to 50% on Indian goods, the FTA de-risks supply chains, as emphasized by Merz and Modi. Institutional bodies like the Indo-German CEO Forum will facilitate implementation, ensuring German SMEs benefit from streamlined rules of origin and investment protections.

Technology and Innovation

Technology partnerships position Germany at the forefront of India’s digital and green revolutions, yielding innovation and resource security. The India-Germany Semiconductor Ecosystem Partnership, formalized in 2026, includes R&D, manufacturing, and training programs, with Infineon Technologies collaborating on assembly and testing. Critical minerals agreements grant Germany access to India’s lithium and cobalt reserves, vital for EVs and renewables, reducing China’s 80% market dominance. Telecommunications pacts promote 5G/6G standards and cybersecurity, enhancing German firms’ global edge.

The 2025-2027 Digital Dialogue Work Plan focuses on AI, Industry 4.0, and governance, building on the 2024 Innovation Roadmap. Higher education initiatives, including Indo-German Centres of Excellence, attract over 50,000 Indian students to Germany, fostering skilled migration—visa-free transit for Indians eases this flow. Green tech under the GSDP sees €1.24 billion committed in 2026, part of €10 billion by 2030, supporting solar, green hydrogen, and e-mobility. This aids Germany’s Energiewende, creating export opportunities in wind turbines and batteries.

The FTA’s tech chapters will harmonize standards, facilitating these collaborations and boosting EU-India trade to $136.53 billion in FY2024-25. For Germany, benefits include resilient supply chains, innovation hubs, and climate leadership.

The Germany-India partnership, amplified by the impending EU-India FTA, delivers multifaceted gains: economic diversification, strategic depth, and sustainable innovation. As Merz articulated, “tremendous economic potential” meets shared values, positioning Germany advantageously in a multipolar world. Upcoming Inter-Governmental Consultations in 2026 will sustain this momentum, ensuring enduring prosperity for both nations.