EU India Chambers

The Council of EU Chambers of Commerce in India

EU-INDIA BUSINESS INSIGHTS

January 2026

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Your Gateway to EU–India Trade & Investment

Table of Contents


FROM THE PRESIDENT'S DESK

It is with renewed energy and a strong sense of purpose that I welcome you to the first edition of our newsletter for 2026.

As we turn the page on the past year, January becomes a natural bridge—allowing us to consolidate recent achievements while preparing for what promises to be an exceptionally active and impactful first quarter. Our recent engagements in the BFSI sector and our outreach initiatives in Bengaluru have set a strong tone for the year ahead. The momentum from these interactions reinforces the Chamber's role not only as a platform for dialogue, but as an active catalyst shaping the corridors of trade and innovation between the European Union and India.

The months ahead are marked by a series of milestone events designed to offer timely insights and meaningful networking opportunities for our members. We begin on 3rd February 2026 at the Deloitte office with a focused session, "Insights into Union Budget 2026: What Businesses Need to Know—Key Reforms, Incentives & Impact," aimed at helping members navigate the evolving fiscal landscape. This will be followed on 5th February 2026 by the Tourism and Hospitality Conclave at the Jio World Convention Center, Mumbai, where we will explore "Unlocking EU–India Opportunities for Tourism and Hospitality" from 16:30 to 19:00 hrs.

Mid-month, our attention turns to the Taj Mahal Palace, Mumbai, for the 6th EU–India Education Summit on 18 February 2026. Beginning at 09:30 hrs, the Summit will centre on the theme "Leading Beyond Borders: Creating Sustainable EU–India Education & Talent Ecosystems," underscoring the critical role of education and skills in strengthening long-term bilateral cooperation.

Mr. Rajeev Sharma
President

Looking further ahead, I invite you to mark Friday, 27 March 2026, as we celebrate our 34th Foundation Day and 35th year of service. This flagship occasion will also feature the EU–India Business Excellence Awards, recognising outstanding contributions across eight key sectors.

In this edition, we continue to bring you the in-depth perspectives you value, including a special focus on the Shipping and Logistics sector and actionable insights in our Experts' Corner. Our Legal Lexicon and updated sector reports remain essential tools to help you stay ahead of regulatory developments and market trends.

The Council remains steadfast in its commitment to serving as your trusted partner and bridge-builder between Europe and India. We look forward to working closely with you to ensure that 2026 becomes a year of deeper engagement, stronger partnerships, and sustained growth for our community.

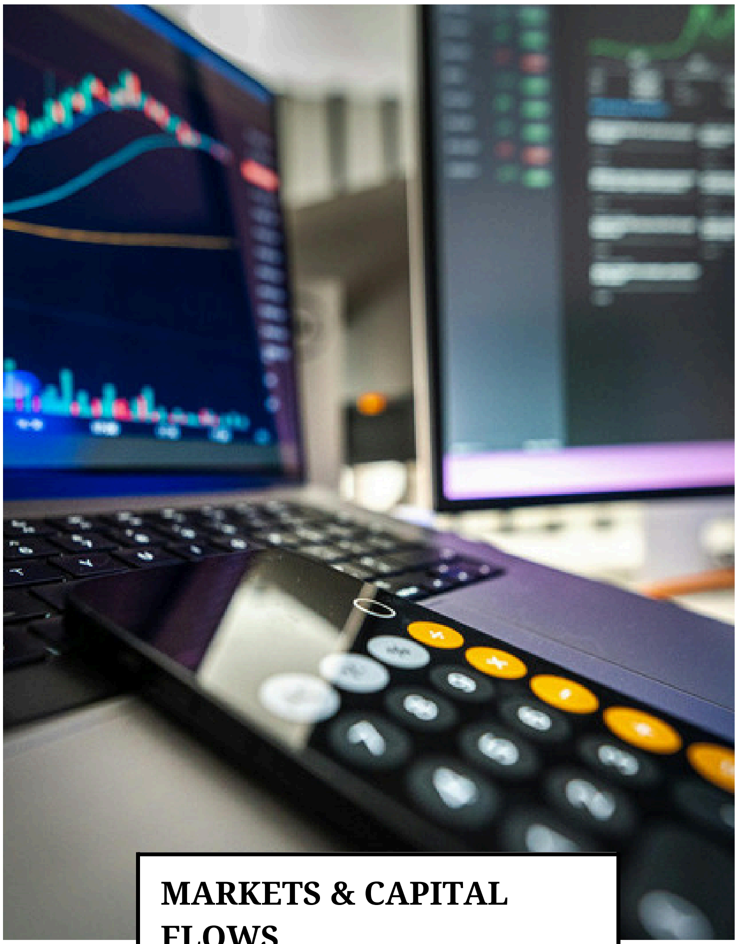
EU-INDIA KEY UPDATES

TRADE & FTA MOMENTUM

- **India–EU FTA likely to be ready ahead of Jan 27 leaders' meet:** India indicated it is working to have the Free Trade Agreement text ready ahead of the leaders' meeting slated for 27 January, signalling a push to close the remaining gaps quickly.
- **Agriculture remains sensitive; key issues ring-fenced:** Updates suggested sensitive agriculture issues continue to be handled cautiously, even as both sides push to conclude the broader deal in the coming days.
- **India & EU reiterate political will to conclude early:** A separate briefing underscored strong intent on both sides to close the FTA "early," reinforcing the momentum building into the late-January summit.

DIPLOMACY & HIGH-LEVEL ENGAGEMENT

- **EU leaders likely as Republic Day chief guests:** Reports indicated top EU leadership may attend India's 77th Republic Day celebrations, with expectations that the FTA could be a headline outcome around that window.
- **India–Germany push: defence to mobility:** PM Modi and Chancellor Merz discussed a broader upgrade in ties—spanning defence cooperation, mobility/visa-related facilitation, and deeper economic engagement (with the India–EU FTA also part of the wider context).
- **India–Germany economic and security cooperation:** A separate update highlighted a deal/framework to deepen economic and security ties and expand cooperation across sectors—including defence collaboration, skills training for the workforce, and health care and education systems, as well as building strategic partnerships among countries and minimising their reliance on foreign nations—positioning Germany as a key EU partner in resilient supply chains and strategic technologies.



CLIMATE & CARBON COMPETITIVENESS (CBAM)

- **CBAM could pressurize Indian steel exports to Europe:** A report flagged the EU's Carbon Border Adjustment Mechanism as a near-term competitiveness challenge for Indian steel exporters, sharpening focus on emissions data, reporting, and decarbonisation pathways.
- **Steel & aluminium exporters may face material cost impact:** Another update estimated a meaningful hit for certain Indian metal exports into the EU as carbon-linked compliance and pass-through costs rise.
- **Policy commentary: navigating CBAM as a strategic reset:** An opinion piece framed CBAM as forcing faster industrial climate-readiness—especially around measurement, disclosure, and greener production.

MARKETS & CAPITAL FLOWS

- **FPI flows shift toward US & Europe:** A market update noted US and Europe increasingly dominating foreign portfolio flows, while traditional routing hubs such as Singapore and Mauritius lose share—seen as a structural shift in how global capital is being channelled.

STRATEGY & GEOPOLITICS CONTEXT

- **India–EU deal positioned as "Invested Effort" amid global pressure:** Commentary around the trade deal stresses India's focused effort on concluding with the EU while other markets face growing strains—reinforcing the FTA's strategic value beyond tariffs

Decoding India's Financial Sector Regulatory Landscape:

CLARITY, COMPLEXITIES & COMPETITIVE ADVANTAGES

Kiran Nanda, Research Consultant

> *Finance has emerged as one of the most consequential pillars of India–EU convergence. Beyond trade volumes and investment flows, the real story lies in how both regions are reshaping their architecture of financial systems—through regulation, digital infrastructure and institutional trust.*
>
> *India has undertaken a once-in-a-generation transformation of its financial sector by building digital public infrastructure (DPI) at population scale. From instant payments to consent-based data sharing, India's financial rails are designed to expand access, reduce friction and enable innovation at low cost. Digitalisation is reshaping financial regulation and even the RBI highlighted that rapid digitisation is blurring traditional regulatory boundaries between banks, NBFCs, fintechs, and non-financial digital platforms.*
>
> *Europe, by contrast, brings decades of regulatory depth, financial stability and strong consumer-protection norms—qualities that underpin its sophisticated capital markets and global investor confidence.*

As India and the EU advance negotiations on a Free Trade Agreement and deepen engagement through platforms such as the Trade and Technology Council (TTC), financial regulation has moved from a technical concern to a strategic enabler. The question is no longer whether India's financial system is open, but how its regulatory model can align with European standards while preserving the agility that has powered its growth.

Understanding this regulatory landscape—its logic, institutions, opportunities and constraints—is essential for European banks, capital markets, fintechs, insurers, asset managers and investors seeking long-term engagement with India.

India's Financial Regulatory Ecosystem

India's financial regulation is anchored in a multi-regulatory framework, each with clearly defined mandates and synergistic coordination.

The Reserve Bank of India (RBI), with Shri Sanjay Malhotra as governor, oversees monetary policy, banking regulation, payment systems, and increasingly, digital finance, fintech risk frameworks, and climate finance. The Securities and Exchange Board of India (SEBI), with Shir Tuhin Kanta Pandey as its Chairman, regulates capital markets, mutual funds, investment advisers and market infrastructure institutions. Insurance Regulatory and Development Authority of India (IRDAI), with Shri Ajay Seth as its Chairman, governs insurance and reinsurance, while Pension Fund Regulatory and Development Authority (PFRDA), with Shri Sivasubramanian Ramann as its Chairman, supervises pensions and retirement savings.

What differentiates India's regulatory ecosystem is the way these institutions sit atop a shared digital stack. The country's digital finance infrastructure—including the Unified Payments Interface (UPI), Account Aggregator (AA) framework, DigiLocker and emerging credit enablement platforms such as OCEN[1]—acts as a common utility layer. Regulation increasingly operates through APIs, standardised data formats, and real-time compliance, rather than paper-based filings.

Above architecture allows regulators to pursue two objectives simultaneously: tighter oversight and faster innovation. It also reduces entry barriers for new players, provided they integrate with the digital stack.

At the same time, GIFT City (IFSC)—India's international financial services centre—enables transactions across borders. Designed as a regulatory sandbox at scale, GIFT City offers foreign financial institutions a familiar legal and tax environment, access to offshore markets, and a separate regulatory framework aligned with global best practices. For EU banks, asset managers, reinsurers, and fintechs, it has become a preferred gateway into India's financial ecosystem.

Financial regulations in India benefit Global Capability Centers (GCCs) by creating a mature ecosystem for compliance, enabling faster time-to-market, reducing costs, attracting talent, and fostering innovation in areas like risk, data, and fintech, with government support (SEZs, tax breaks) further streamlining operations and reducing initial investment, ultimately turning compliance into a strategic advantage.

OCEN[1] stands for Open Credit Enablement Network, a digital framework in India that uses standardized APIs to simplify and accelerate digital lending, making credit more accessible for individuals and MSMEs by creating a common language for lenders, platforms, and consumers, essentially acting as a "digital highway" for loans.

Complexities for Foreign Players

Despite the progress, India's financial regulatory environment remains complex—particularly for foreign entities accustomed to the EU's harmonised regulatory framework.

Licensing and authorisation processes can be time-intensive, especially in banking, insurance and payments. While timelines are improving, sector-specific approvals and fit-and-proper requirements[2] require careful navigation. Data localisation norms, particularly in payments and financial data, add another layer of operational planning for EU firms, which are used to cross-border data flows under the GDPR.

Know Your Customer (KYC) and Anti-Money Laundering (AML) requirements, though increasingly digitised, are stringent and evolving. Regulators have tightened norms around digital lending, outsourcing arrangements, and third-party partnerships following rapid fintech growth. For foreign players, this creates a learning curve as rules may change faster than internal compliance systems can adapt.

Another challenge is regulatory fragmentation. While coordination has improved, different regulators may issue overlapping or sequential guidelines, creating what businesses often describe as a 'mosaic effect'. Sandbox regimes, risk-management frameworks, and reporting standards can differ across banking, securities, and insurance, requiring tailored compliance strategies.

These complexities do not negate opportunity; they merely underline the importance of regulatory literacy and local engagement.

[2]These are regulatory standards ensuring individuals in key roles (especially finance) possess the necessary honesty, integrity, competence, capability, and financial soundness to perform duties responsibly, preventing misconduct, fraud, and poor management by checking character, criminal/disciplinary history, experience, and financial stability.

Opportunities for EU Stakeholders

For European stakeholders, India's financial regulatory evolution opens several high-potential pathways.

One of the most visible is cross-border payments. Ongoing work to link UPI with European instant-payment systems such as TIPS[3] could dramatically reduce the cost and friction of remittances, tourism payments and SME transactions. For EU payment service providers, this represents access to one of the world's largest real-time payment ecosystems.

In data-driven finance, the Account Aggregator framework offers strong synergies with Europe's Open Banking regime under Payment Services Directives (PSD2/PSD3). While Europe emphasises consumer rights and portability, India focuses on inclusion and cost efficiency. Together, these models could enable seamless credit access for Indian professionals, students and MSMEs operating in Europe—and vice versa.

Capital markets present another convergence point. Europe's leadership in green bonds and sustainable finance aligns closely with India's climate-investment needs. EU institutional capital—channelled through bonds, blended finance or IFSC structures—can support India's renewable energy, electric mobility and resilient infrastructure projects while meeting Europe's ESG mandates.

GIFT City further enables EU banks, insurers and fintechs to operate in India under internationally recognisable rules, reducing regulatory uncertainties and easing capital flows. A shift of FPI flows to Europe are visible.

[3] TIPS stands for TARGET Instant Payment Settlement, a real-time payment system by the Eurosystem (European Central Bank) that allows for 24/7, instant money transfers in central bank money, facilitating cheaper, faster cross-border payments between India and the Euro Area.

India's Competitive Regulatory Advantages

India's financial regulatory model offers several structural advantages that are often underestimated. The digital-first compliance significantly lowers costs while Instant KYC, API-based reporting and real-time transaction monitoring reduces manual processes that remain common in many advanced markets.

Further, India has demonstrated that low-cost finance and consumer trust can coexist. The UPI processes billions of transactions monthly with strong fraud-monitoring mechanisms, offering a scale benchmark that few jurisdictions can match.

Thirdly, India's regulators have embraced sandboxing as policy. Controlled experimentation—whether in payments, digital lending, or market infrastructure—allows innovation without compromising systemic stability.

Finally, India's demographic talent and skills advantage, combined with regulatory openness to global standards, positions the country as a laboratory for future financial regulation—particularly in digital public goods that can be exported to other emerging markets.

Pathways for Deeper EU-India Financial Convergence

The next phase of convergence will depend less on ambition and more on execution. Structured regulatory dialogues—between RBI and European central banks, between SEBI and EU market authorities—can align approaches to data governance, AI-driven finance, and systemic risk.

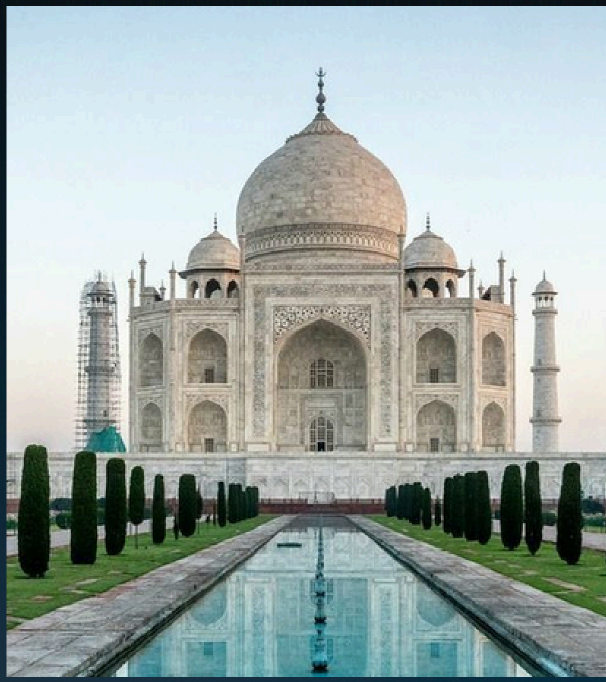
Harmonising AML/CFT standards[4], while respecting local conditions, would reduce compliance duplication for cross-border institutions. There is also scope for joint deployment of digital public goods in other countries—combining India's scalable digital infrastructure with Europe's regulatory frameworks to support financial inclusion globally. Such cooperation would move the partnership from market access to market-shaping and aid in strengthening GCCs.

[4] These are global rules and regulations requiring financial institutions to prevent money laundering (AML) and Combatting the Financing of Terrorism (CFT) by detecting, reporting, and stopping suspicious activities

CONCLUSION:
From Intent to Action

India and the European Union are no longer merely engaging on finance; they are co-creating the foundations of a new financial corridor. While India brings speed, scale, and digital rails, Europe contributes capital depth, regulatory credibility, and global standards. Together, they can shape one of the world's most inclusive and resilient financial ecosystems.

The intent is clear and regulatory reforms are underway. Pilot integrations are progressing and the task now is to accelerate it from dialogue to deployment. If achieved, India–EU financial convergence will not only support Viksit Bharat but also offer a replicable model for trusted, digital-first finance in a fragmented global economy.



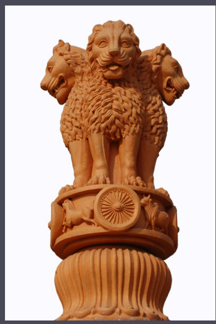
LEGAL LEXICON

Advantages of Foreign Investment and Business Setup in India

Krrishan Singhania
Co- Chair
Legal & Regulatory Committee

Traditionally, when Indian markets were not well known to foreign entities, they would establish a liaison office or a branch office of the business entity set up outside India. Now, under the new regime, they can form Private Limited Companies in India to do business with stability. Hence, foreigners now choose to form Joint ventures or private companies in India, depending on the vision of the firm wanting to set up business in India.

Foreign investors have access to a broad range of company structures and business vehicles under India's liberal regulatory regime. A foreign parent can incorporate an Indian company as a **wholly-owned subsidiary (WOS)** or a **joint venture (JV).** A WOS is a private (or public) company wholly owned by the foreign parent, and it enjoys **the same legal and tax treatment as any domestic company.** JVs (with Indian partners) are used when sectoral caps apply. India also permits 100% foreign direct investment under the automatic route in most sectors.



India's FDI and corporate regulatory framework

It is managed by the Department for Promotion of Industry and Internal Trade (DPIIT) under FEMA rules. The government follows a largely "negative list" approach: except for a few prohibited sectors and activities requiring security clearance, FDI up to 100% is allowed.

In fact, FDI up to 100% is permitted through the automatic route in most sectors. In recent years, the government has continuously liberalised caps and approvals. Key sectors opened up since 2014 include insurance, pension, coal mining, contract manufacturing, civil aviation, single-brand retail, digital media, and financial services.

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General Advantages for setting up business in India

The Indian government has significantly improved the ease of doing business: recent reforms include digital integration of company registration (e.g. the SPICe+ online form for incorporation, linked to tax and labour registrations) and unified portals for approvals. Prime Minister Shri Narendra Modi noted that India's stable government, "improved ease of doing business", vibrant start-up ecosystem and next-generation digital infrastructure make it an attractive destination.

In particular, India's visa regime has been modernised: for instance, the new "Production Investment" (B-4) provides a five-year business visa for foreign experts in manufacturing projects, and can now be issued entirely as an e-visa via a digital sponsorship letter generated on the NSWS. This reform, launched in late 2025, means that Indian firms can quickly sponsor overseas engineers/technicians online, eliminating much of the old paperwork. Other practical advantages include India's large English-speaking talent pool, wage-cost competitiveness, and world-class industry clusters.

India's FDI Policy

Beyond tax and legal forms, India's FDI policy itself incentivises investment. The government has repeatedly raised sectoral caps to attract global players. For example, in 2024, the insurance sector cap was increased from 49% to 74% automatic, triggering a surge in insurance inflows. Defence manufacturing FDI is now 74% automatic, and investments beyond 74% have been under consideration. Telecom allows 100% automatic FDI, and hundreds of other subsectors – from private medical colleges to power exchanges – have been opened up.

In October 2023, India implemented the Budget's corporate tax cuts and eased compliance via VAT and customs reforms. On the institutional side, India has robust investment protection: an India–Austria Bilateral Investment Treaty (1999) guarantees fair treatment and protection of Austrian investments. India also leverages free trade agreements: while India does not yet have a bilateral FTA with Austria, an India–EU FTA is slated for early 2026, which will eliminate many tariffs and boost market access for Austrian firms.

Conclusion

India presents a highly favourable environment for foreign business setup. It offers fully permissible equity ownership, a network of tax treaties, progressive liberalisations, and concrete incentives for targeted investments. Regulatory reforms like the National Single Window, digital visa processing, and simplified company laws further improve the operating landscape. For Austrian businesses in particular, bilateral cooperation mechanisms and the forthcoming India–EU trade pact should further ease market entry and expansion. As Indian government sources note, these reforms and incentives have made India "a preferred investment destination among global investors", offering foreign companies legal clarity, tax efficiency, and growth prospects unmatched by many other emerging markets.

A PRELIMINARY REVIEW OF THE EU-INDIA FREE TRADE AGREEMENT:
WHAT IT MEANS FOR BUSINESS??

After years of copious and intermittent negotiations, India finally signed a historic Free Trade Agreement (FTA) with the 27-nation European Union. This marked a structural shift in one of the world's most significant bilateral economic relationships. EU Free Trade Agreement would cover 22 per cent (USD 24 trillion) of global GDP (USD 115 trillion) and encapsulate 25 per cent (2 billion) of the world's population (8 billion). No free trade agreement has ever encompassed this massive market and population, which would touch almost one-fourth of mankind.

The agreement reflects renewed political will on both sides to anchor trade, investment, and regulatory cooperation in a more predictable and forward-looking framework. Commerce and Industry Minister Piyush Goyal, who was critically instrumental in pushing it past the finish line, described the deal as a robust and transformational partnership.

The EU-India FTA arrives at a time when supply chains are being reconfigured, climate policy is reshaping trade flows, and geopolitical risk is forcing companies to diversify markets and production bases. Therefore, at a global level, the agreement brings India to the international high table. At the national level, it protects key sectors like dairy, agriculture and fisheries. It also addresses regulatory practices and protects the Indian automobile market.

For European businesses in India—and Indian firms with EU exposure—the FTA is not simply about tariff reduction. It signals a move toward deeper economic integration across manufacturing, services, digital trade, sustainability and mobility. From the EU Chamber's perspective, the FTA can be perceived as a platform agreement whose value lies not only in immediate market access gains but in the institutional architecture it creates for long-term cooperation.

CORE TRADE OUTCOMES: MARKET ACCESS WITH CONDITIONS

The FTA commits both sides to phased tariff reductions across a wide range of industrial and consumer goods.

While India has gained preferential access to EU markets across 97 per cent of tariff lines, covering 99.5 per cent of trade value, India is offering 92 per cent of its tariff lines, which cover 97 per cent of the EU exports.

The annual import duty paid by Indian importers will be reduced by Rs 44,000 crore (€ 4 billion), with doubling India's exports to the EU nations. For EU exporters, this is particularly relevant in:

- Automobiles and auto components
- Machinery and engineering equipment
- Chemicals and pharmaceuticals
- Wines, spirits, and premium consumer goods

For Indian exporters, gains are expected in:

- Textiles and apparel
- Leather and footwear
- Pharmaceuticals
- Selected agricultural and processed food products

Indian exports, worth about $75 billion, will gain preferential access to the EU and Import duties will almost get 'eliminated' for a plethora of items - including marine products, leather, chemicals, textiles, home décor, furniture, base metals, medical instruments and appliances, toys, sports goods, gems and jewellery. Textiles, one of the worst-affected sectors hit by the US tariff regime, would get reduced from over 10 per cent to NIL.

However, liberalisation is structured and conditional. Sensitive sectors (agricultural sectors for both sides, such as dairy, sugar, rice, beef, chicken, eggs and ethanol) remain subject to safeguards, quotas or exclusion lists. This calibrated approach reflects political constraints on both sides and signals that businesses should not expect immediate uniform tariff elimination.

RULES OF ORIGIN AND COMPLIANCE

Stricter rules of origin are likely to be a defining feature. Companies will need to demonstrate substantial value addition within FTA jurisdictions to qualify for preferential tariffs.

This will push firms toward:

- Localised manufacturing strategies
- Deeper supplier integration
- Greater documentation and audit readiness

For European manufacturers using India as a production base, this could incentivise higher localisation levels. For Indian exporters, it raises the bar on traceability and compliance.

SERVICES AND INVESTMENT: QUIET BUT CRITICAL GAINS

The EU has made deeper commitments to India across 144 service sectors, including IT/ITeS, professional services, and education. This is expected to significantly drive services exports.

While the FTA does not create full freedom of movement, it expands recognition of qualifications and facilitates short-term business mobility.

This is particularly relevant for:

- Consulting and engineering firms
- Digital service providers
- Financial and insurance intermediaries
- Design, architecture and technical services

From a business perspective, the value lies less in volume and more in predictability. It envisages fewer discretionary barriers and clearer licensing pathways.

Investment Protection Still Pending

One notable gap is the absence (for now) of a fully concluded Investment Protection Agreement. While negotiations are continuing in parallel, the lack of binding investor-state protection remains a concern for long-term capital deployment.

For European investors, especially in infrastructure, manufacturing and energy, the credibility of dispute resolution mechanisms will shape investment decisions more than tariff lines. The FTA improves commercial access, but investment confidence will ultimately depend on how this parallel track evolves.

Sustainability and Carbon Policy: Trade with Conditions

Carbon Border Adjustment Mechanism (CBAM)

One of the most consequential indirect impacts comes from the EU's carbon policy architecture. Even as tariffs fall, Indian exporters—especially in steel, aluminium, cement and fertilisers—will face rising compliance costs linked to carbon intensity.

The FTA does not neutralise CBAM. Instead, it creates space for:

- Cooperation on emissions measurement
- Alignment of reporting standards
- Support for decarbonisation pathways

For Indian firms, this effectively makes sustainability a trade requirement, not a voluntary add-on. For EU firms operating in India, it creates commercial incentives to invest in cleaner production, monitoring systems, and green supply chains.

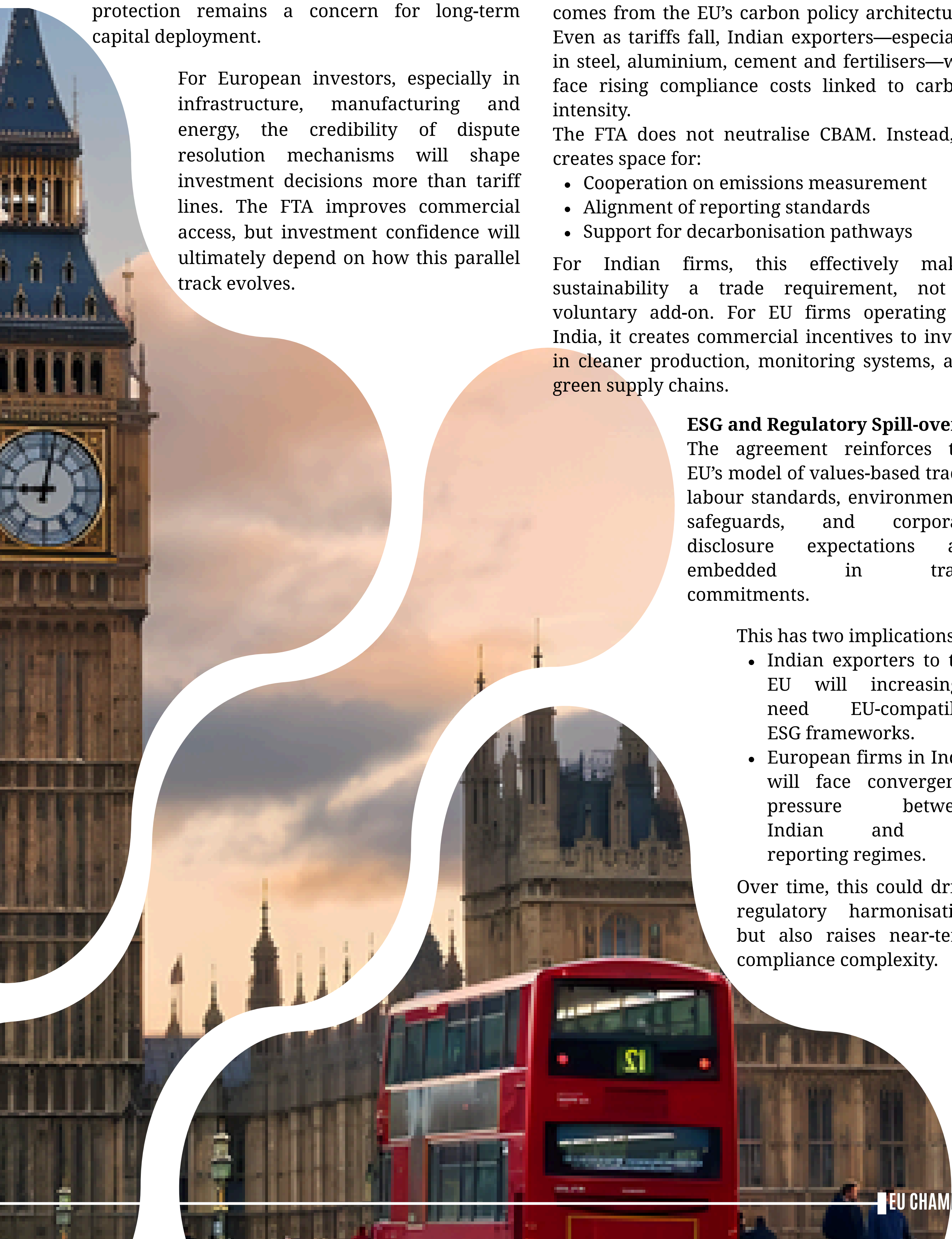
ESG and Regulatory Spill-overs

The agreement reinforces the EU's model of values-based trade: labour standards, environmental safeguards, and corporate disclosure expectations are embedded in trade commitments.

This has two implications:

- Indian exporters to the EU will increasingly need EU-compatible ESG frameworks.
- European firms in India will face convergence pressure between Indian and EU reporting regimes.

Over time, this could drive regulatory harmonisation but also raises near-term compliance complexity.



Defence, Digital Trade And Data Governance

The India-EU FTA envisages a Security and Defence Partnership to strengthen cooperation in security and defence, including maritime security, defence industry and technology, cyber threats, space and counterterrorism.

Digital Provisions

The FTA includes commitments on:

- Electronic transactions
- Digital authentication
- Cross-border data flows (with safeguards)
- Consumer protection in digital commerce

While India retains policy space on data localisation, the agreement moves away from fragmented digital trade rules toward a more structured framework.

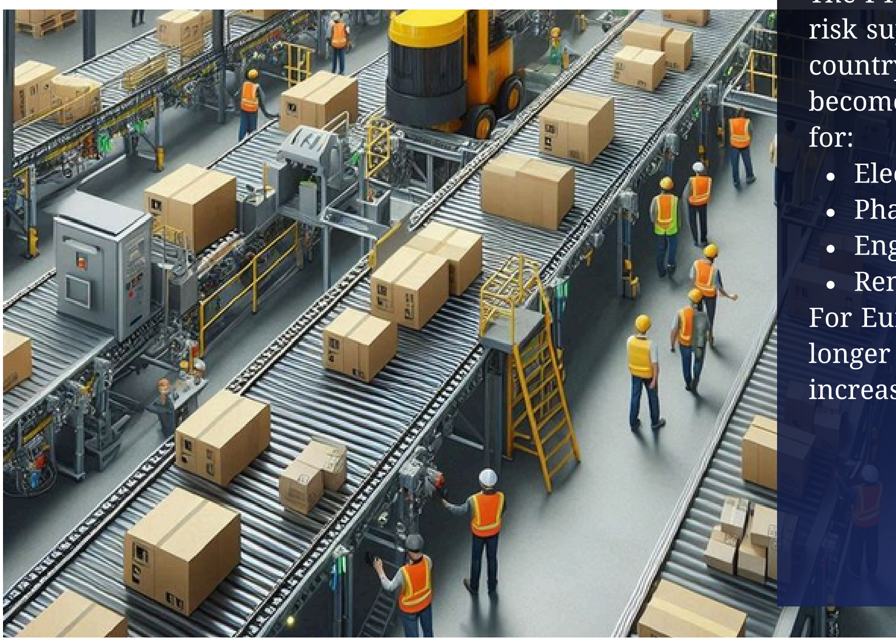
For EU businesses in Fintech, E-commerce, Cloud and digital services, Travel, logistics, and platforms, this reduces legal uncertainty and supports scalable operations across borders.

Data Protection Interface

A key issue remains the interaction between:

- EU's GDPR framework
- India's Digital Personal Data Protection Act

The FTA does not harmonise these systems, but it institutionalises dialogue. For companies, this means dual compliance will remain necessary but regulatory surprises may be reduced.



Supply Chains And Industrial Strategy

The FTA aligns with EU efforts to de-risk supply chains away from single-country concentration. India becomes a preferred alternative hub for:

- Electronics and semiconductors
- Pharmaceuticals and APIs
- Engineering goods
- Renewable energy equipment

For European companies, India is no longer just a sales market; it is increasingly a production partner.

Gift City And Financial Channels

The agreement strengthens the case for using India's IFSC (GIFT City) as a base for:

- Trade finance
- Structured investment vehicles
- Cross-border services

This could lower transaction friction for EU firms operating in South Asia and beyond.

Mobility, Skills And Business Travel

The FTA complements parallel mobility arrangements with EU member states on:

- Skilled professionals
- Students and researchers
- Short-term business travel

While not a migration agreement, it facilitates:

- Visa processing predictability
- Recognition of qualifications
- Business mobility frameworks

This matters particularly for sectors dependent on:

- Technical staff
- Project-based deployments
- Knowledge services

It also reinforces India's position as a talent partner, not merely a low-cost labour source. The two sides will collaborate and create EU-India Innovation Hubs and launch an EU-India Startup partnership.

Risks And Constraints

Despite its scope, the FTA is not a frictionless instrument.

Key risks include:

- Regulatory divergence between EU and Indian standards
- Compliance costs for MSMEs
- Carbon-linked trade barriers
- Delayed investment protection mechanisms
- Complex origin rules limiting uptake

There is also an execution risk: the commercial value of the FTA will depend heavily on:

- Domestic regulatory reform
- Customs facilitation
- Dispute settlement credibility
- Sector-specific implementing guidelines

Businesses should view the FTA as an enabling framework, not an automatic growth guarantee.

Strategic Implications For Eu-Oriented Businesses

From the EU Chamber's perspective, the FTA creates three strategic shifts:

1. India moves from 'emerging market' to 'systemic partner': The relationship now spans trade, climate, digital governance, and security of supply.
2. Compliance becomes a competitiveness lever: Firms that master regulatory alignment—carbon, data, ESG—will gain market advantage.
3. The EU–India corridor becomes a testing ground for future trade models: Combining market access with sustainability and digital governance may define next-generation FTAs.

With the agreement in place, European and India-linked firms could:

- Reassess supply chain strategies under new tariff and origin rules
- Invest in ESG and carbon accounting capabilities
- Map service market opportunities
- Prepare for tighter documentation and reporting
- Track parallel investment protection negotiations

Sector-specific analysis will be critical. The agreement does not reward all industries equally or immediately.

CONCLUSION

A Framework For Strategic Integration

The EU region is India's largest trading partner, with bilateral trade in goods and services worth about USD 190 billion and 11.8 per cent share of India's merchandise trade. Against this backdrop, the EU-India FTA has immense significance and ramifications.

However, the India–EU FTA is best understood not as a narrow trade accord, but as a strategic economic architecture. It reflects a convergence of interests around growth, resilience, and sustainability rather than pure cost arbitrage.

For businesses, the opportunity lies in positioning early—aligning operations, compliance systems, and investment strategies with the direction of the agreement.

The risks lie in underestimating its regulatory depth or overestimating short-term gains.

From the EU Chamber of Commerce perspective, the agreement offers a credible foundation for a new phase of EU–India economic partnership—one that rewards long-term commitment, transparency, and innovation. Its success will depend not only on what is written in the text, but on how effectively it is implemented and how actively the business community engages with its mechanisms.

The Union Budget 2026-27 seems to have fully complied with the imperatives required in the wake of the six FTAs that have been finalised during the last about two years, the latest being the India- EU FTA.

The Centre is moving in a coordinated policy framework. For example, the major wide ranging push given to manufacturing and services in the EU-India FTA is in complete alignment with the budgetary proposals put forth in Union Budget 2026-27.

The Agreement has been entered by the stakeholders on the 27th January 2026. The journey has blissfully ensued towards reaching a higher trajectory of sustainable development of both India and the EU.

COUNTRY SPOTLIGHT

Cyprus-India Economic and Commercial Engagement: An Evolving Partnership

Cyprus–India economic relations continued to demonstrate steady momentum in December 2025, marked by resilient bilateral trade flows, expanding sectoral engagement, and deepening cooperation in innovation, digital governance, defence technologies, and skilled manpower mobility. While the trade balance remained in Cyprus's favour, evolving trade patterns and high-value institutional engagements underscored the growing strategic depth of the partnership.

Overview of Bilateral Trade

Between January and September 2025, trade between Cyprus and India totaled €93.8 million, with Cyprus recording a €42.35 million trade deficit. While India represents a small fraction of Cyprus's €14.34 billion global trade, the relationship is strategically significant.

India primarily exports industrial and agri-based goods, while Cyprus exports metals and resources. This exchange highlights structural synergies, though substantial growth potential remains in global sectors where India's market share is currently limited.

Key Import Trends from India

India's exports to Cyprus were led by organic chemicals (€22.1 million), which comprise over 32% of imports from India. Despite a slight dip, they remain the foundation of the trade relationship.

Growth was driven by two standout sectors: machinery and mechanical appliances (up 76.25%) and aluminium articles, which surged by over 800%. Robust gains were also seen in cereals and fishery products. Conversely, pharmaceutical imports dropped nearly 29%, likely due to inventory shifts or increased market competition.

Cyprus's Global Import Profile and Opportunities for India

Cyprus's overall imports from the world continue to be heavily concentrated in mineral fuels (€2.87 billion), vehicles (€791 million), machinery, electrical equipment, pharmaceuticals, and ships and floating structures. India's share in several of these high-value segments remains negligible—particularly in fuels, shipping, beverages, and cosmetics—highlighting clear export expansion opportunities for Indian manufacturers and service providers.

Investment Landscape

No fresh bilateral or global investment inflows were recorded during the reporting period. Nevertheless, Cyprus continued to actively position itself as an EU gateway for Indian companies, particularly in financial services, real estate, fund structuring, technology, and professional services. Large-scale projects such as Limassol Marina, Ayia Napa Marina, and Aphrodite Springs Resort remain open for foreign participation, presenting opportunities for Indian investors with expertise in infrastructure, hospitality, and wellness-linked tourism.

Market Access and Regulatory Environment

No new trade defence measures, SPS/TBT barriers, or tariff-related restrictions were reported against India during the month. Cyprus continues to face structural challenges, including high energy dependence on imported oil, elevated greenhouse gas emissions, and lagging digital readiness. These constraints simultaneously create opportunities for Indian firms in renewables, energy efficiency, digital transformation, and affordable technology deployment.

Macroeconomic Context

Inflation in Cyprus remained subdued, with December 2025 inflation recorded at –0.5%. The Consumer Price Index showed marginal month-on-month movement, indicating price stability across major consumption categories. This environment supports predictable operating conditions for foreign businesses and investors.

Estonia-India Economic Synergy: A Tech and Infrastructure Pivot

Estonia's economic landscape in showcases a country balancing fiscal prudence with aggressive high-tech and infrastructure investment. For India, this period marks a strategic deepening of ties, highlighted by a €100 million semiconductor investment and a resilient trade dynamic.

Bilateral Trade: Industrial Precision and Resource Flow

Estonia's trade with India in November 2025 remained steady, with a total bilateral exchange of approximately €8.97 million. India continues to be a vital supplier of industrial chemicals and metal components, while high-tech electronics and recycled materials lead Estonia's exports.

Leading Imports from India

India's export strength lies in providing the building blocks for Estonia's industrial and pharmaceutical sectors:

- **Inorganic Bases and Metal Oxides:** The top import at €786,000, used extensively in high-tech manufacturing.
- **Iron and Steel Articles:** Combined imports of cast and standard steel articles exceeded €520,000.
- **Electrical Apparatus:** Switching equipment and electrical conductors totaled over €550,000, supporting Estonia's digital infrastructure.

Top Estonian Exports to India

Estonia's exports reflect its specialized engineering and commitment to a circular economy:

- **Printed Circuits:** Leading exports at €982,000, underscoring Estonia's electronic manufacturing prowess.
- **Recycled Metals:** Significant shipments of aluminium, iron, steel, and copper scrap totaled over €1.27 million.
- **Industrial Machinery:** Sorting and screening machines contributed €312,000 to the export total.

Strategic Investment: The Paide Semiconductor Hub

A major milestone in bilateral relations was reached on December 16, 2025, when the Ambassador met with Polymatech Electronics' CEO. The Indian firm has recently acquired a Printed Circuit Board (PCB) factory in Paide, Estonia, with plans to invest **€100 million.**

- **Objective:** Transitioning from a component supplier to a provider of rapid, sustainable, high-density PCBs.
- **Market Reach:** The facility will serve European demand in aerospace, defense, smartphones, and wearables.

Untapped Opportunities for Indian Exporters

The Embassy has identified significant "gaps" where Indian products are currently absent despite high local demand:

- **Petroleum Products:** Estonia imported €87 million in petroleum oils in November; India's current share is zero.
- **Gold and Jewellery:** A €38 million import market remains untapped by Indian suppliers.
- **Automotive Sector:** While Estonia imported €41 million in motor vehicles during the month, Indian exports have yet to penetrate this segment.

Infrastructure and the "New Era" for Startups

Estonia is entering a phase of rapid physical and digital expansion:

- **Tallinn Airport Expansion:** A €75 million project has begun to double passenger capacity to 5.5 million by 2030, integrating with the upcoming Rail Baltica terminal.
- **Energy Storage:** A €100 million battery park in Kiisa was completed, helping stabilize the Baltic power system as Estonia targets 400 MW of storage by 2035.
- **Startup Maturity:** The sector now contributes 4.3% of GDP. Startups are shifting from a "funding-heavy" model to growth through revenue and productivity, with turnover estimated to exceed €5.1 billion.

India-Italy Economic and Commercial Engagement: An Evolving Partnership

India–Italy economic and commercial relations continued to evolve steadily, supported by structured trade facilitation mechanisms, active stakeholder engagement, and sustained cultural and business outreach. The Consulate General of India in Milan remained actively engaged in addressing market access issues, supporting Indian exporters, and promoting India as a strategic economic partner for Italy and the European Union.

Overview of Trade and Market Access Environment

Italy operates under the European Union's common customs and regulatory framework. During the reporting period, multiple regulatory notifications were issued by the European Commission covering sanitary and phytosanitary (SPS) measures, technical barriers to trade (TBT), and ecodesign and energy labelling regulations. These measures affect a wide range of products including cereals, agricultural goods, organic products, construction materials, medical devices, batteries, water heaters, and energy-related equipment.

Several proposed EU regulations relating to pesticide residue limits, plant health rules, ecodesign standards for heating equipment, construction products, and battery labelling are expected to enter into force during 2026. These developments are of particular relevance to Indian exporters and manufacturers supplying agri-products, engineering goods, construction materials, electrical equipment, and green technologies. The overall regulatory trend reflects the EU's increasing emphasis on sustainability, energy efficiency, consumer safety, and traceability.

Trade Promotion and Business Engagement

A key highlight of the period was India's participation in the "Artigiano in Fiera" trade fair in Milan, one of Europe's largest exhibitions for artisanal and lifestyle products. Thirty-two Indian companies participated, showcasing textiles, handloom products, jute items, and traditional crafts. The Consul General inaugurated the India Pavilion and interacted extensively with Indian exhibitors. While participants acknowledged the strong visibility offered by the fair, feedback indicated the need for enhanced institutional support, greater product diversification, and improved financial assistance mechanisms to encourage broader participation in future editions.

Tourism and People-to-People Linkages

Tourism and business travel between India and Italy continued at a steady pace. During the month, 80 tourist visas and 27 business visas were issued by the Consulate. No travel advisories were issued by Italian authorities for travel to India during the period. Cultural and commercial interactions remain an important pillar of bilateral engagement, reinforcing mutual familiarity and trust.

Institutional Outreach and Trade Facilitation

The Consulate undertook targeted institutional engagements aimed at resolving trade-related issues and strengthening India's commercial presence in Northern Italy. Meetings with senior officials of the Italian Customs Department focused on addressing operational challenges faced by Indian exporters at major ports, including Genoa. Engagements with organizers of major international trade fairs, such as Expo Riva Schuh, explored avenues for increasing Indian participation in global sourcing platforms for leather and footwear products.

Outlook

India–Italy economic ties are shaped by EU regulations and growing demand for sustainable, value-added products. Despite market access challenges, proactive trade promotion is strengthening India's presence in Italy. Continued sector diversification and closer institutional engagement are opening new avenues for Indian exporters, while improved regulatory understanding is expected to support more resilient bilateral trade.

MEMBER'S CORNER

For sharing any information or relevant inputs, kindly contact the undersigned:
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Company- NWDCo Software Solutions LLP

Sector- Services (e.g. Legal, Financial, Consulting, IT, etc.)

Opportunity / Collaboration:
An ISO 27001:2022 certified 24-year-old Software Technology company based in Mumbai, Dubai & Hong Kong, helping organisations in digital transformation with software, mobile app, portal, cloud infrastructure. With AI as its newest offering, they invite companies to explore opportunities together.

Innovation / Milestone:
1. ISO 27001: 2022 in Data Privacy & Data Security.
2. Member - National Cyber Security Standard.
3. Winner India Mobile Congress 2025.
4. Winner Amazon Innovator of the Year.
5. Empaneled for ESSAD - Dubai Police.
6. Clients like Taj Hotels, Vivo Mobiles, Aditya Birla, CEAT, Jamnabai Group of Schools.

Comapny- Jayem Trade Private Limited

Sector- Services (e.g. Legal, Financial, Consulting, IT, etc.)

Opportunity / Collaboration:
Jayem Trade is a Bengaluru-based 5PL, warehousing, logistics, and distribution service provider with over 20 years of experience supporting international businesses in India. With pan-India coverage and a tech-enabled infrastructure, the company manages end-to-end supply chains across chemicals, electronic, and industrial goods, while also supporting distribution for industrial automation, testing, and measurement solutions. Backed by long-standing partnerships with OEMs across Germany, the UK, the USA, Israel, Japan, and South Korea, and an annual turnover of USD 1.6 million, Jayem Trade enables manufacturers to enter and scale in the Indian market through comprehensive solutions covering import compliance, customs clearance, warehousing, distribution, and local market development—allowing partners to focus on manufacturing excellence while Jayem Trade manages market access and execution in India.

Innovation / Milestone:
They offer a 5PL service model which goes beyond traditional 3PL offerings to provide many more services that allow manufacturers to focus solely on manufacturing while they handle everything else.

Comapny- Forbes Precision Tools and Machine Parts Limited

Sector- Manufacturing

Opportunity / Collaboration:
As vendor to European player for high quality tools (HS Taps, Solid Carbide Drills and Taps, TCRB, Carbon Steel Taps , Dies etc.

Innovation / Milestone:
Their product range covers high quality application for all key industries - Automobile, Aerospace, Machine Tools, Shipping etc and they have the ability to be highly competitive for the value they offer in the market..

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