

“New course for the global economy: EU and India seal their alliance”

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Economy and trade

Foreign trade, economic outlook, protectionism

The agreement reached between the EU and India opens a new chapter for the global economy, with an ambitious alliance that aims to strengthen the economic and political ties between the two blocs and marks the beginning of one of the most important strategic international partnerships. The agreement, which includes among its main measures the gradual elimination of high tariffs, provides a strategic access channel for European industry, especially for the agri-food and manufacturing sectors. For India, it represents a key link with which to expand its international reach and position itself as the manufacturing epicentre of the world.

For Spain in particular, the agreement is highly significant, not only because it benefits key products for the national productive fabric, but also because of the logistical dimension it entails, boosting port traffic flows to Spanish ports. This would highlight the potential of the Spanish port system in terms of competitiveness and resilience, attracting a greater frequency of port calls and maritime services, as well as consolidating strategic connections with the Indo-Pacific region.

However, certain concerns remain, particularly regarding the protection of national industries in both regions. The success of the agreement will depend on its effective implementation, in accordance with the agreed standards and respecting clear food safety guidelines. Ultimately, beyond its economic and commercial scope, the agreement aims to project the EU and India as strategic players in the new global scenario.

At a time of profound geopolitical realignment and after several attempts at rapprochement, on 27 January 2026 the **European Union (EU)** and **India** ended an intense and prolonged period of negotiations by sealing the basis for an **ambitious free trade agreement** between the two blocs (European Commission 2026a).

The dialogue between the two parties dates back to 2007, in a first attempt to strengthen trade relations through a **Bilateral Investment and Trade Agreement (BITA)**. After a period of deadlock, negotiations were finally suspended in 2013 due to disagreements over the scope of the trade agreement. In this context, while the **EU** sought a more far-reaching compromise, guided by a substantial **elimination of tariffs**, **India**, maintained a more cautious position and a more **protectionist** approach towards its domestic industry (Bombassi and Nixon, 2025).

The geopolitical friction of the following years reawakened the need to finalise the agreement. Consequently, talks resumed in 2021, with both parties agreeing to address three separate trade agreements: a **Free Trade Agreement (FTA)**, a **Geographical Indications Protection Agreement**, and an **Investment Protection Agreement (IPA)** (Ministry of Economy, Trade and Enterprise, n.d.).

Economically, **India** is emerging as one of the **world's most dynamic** emerging economies, with consistently high growth rates since the post-pandemic period, reaching an average GDP growth of over 7%. This trend places India among the economies with the highest structural growth, where sectors such as **services** and **manufacturing** play a key role in this expansion (CaixaBank Research 2026).

In the **geopolitical arena**, stands as the fourth largest economy in the world, a position that has generated growing strategic interest from various global players, including the **EU**, which seeks to strengthen its presence in the Indo-Pacific region, where **India** is emerging as a decisive player (European Commission 2026a).

This Free Trade Agreement comes at a **highly uncertain** and **volatile geopolitical** and **commercial moment** and, for the **EU**, reinforces a message of **stability** and **rules-based economic cooperation** on the international stage. On the other hand, for India, it represents an important alliance that can contribute to diversifying sources of supply, attracting investment and consolidating its position as **a manufacturing platform** in global value chains.

The agreement is currently in **the process of ratification**, a complex stage in which political debate intensifies, and the text awaits validation by the European Parliament. In subsequent phases, the Council will have to give its approval and, after the formalities in India, the process of entry into force will begin.

Although the process is progressing gradually, the European Commission presents the agreement as a milestone of **great scope** and **economic relevance** for both parties (European Commission 2026a). In this regard, the President of the European Commission,

Ursula von der Leyen, frames it as a strategic step towards deepening the **EU-India economic link**. Likewise, among the main measures addressed are:

- **The gradual elimination of tariffs** on more than 90% of products traded between the two blocs.
- **Privileged** access to the Indian **goods and services** market for European companies and investments.
- Consolidation of **commitments on trade and sustainable development**, strengthening environmental protection and tackling climate change.
- Promotion of **strategic collaboration** and **greater integration** of value chains between the two blocs.

In practical terms, the agreement favours **European exporters** by reducing tariffs on more than 90% of EU goods exports, with a particular impact on sectors such as **manufacturing, automotive** and **agri-food**. In the case of the automotive industry, India maintained high tariffs of 110% on European car exports, rates that will be significantly reduced following the entry into force of the agreement. Similarly, high tariffs of up to 44% on machinery and 22% on chemical products will be largely eliminated (European Commission 2026a).

The alliance opens up a large-scale market for European producers in the **agri-food sector** and may improve their competitive position. However, the reduction in tariffs will be applied **selectively**, as both sides have expressed their willingness to **balance trade liberalisation** with the **protection** of the **most sensitive sectors**. As a result, European products such as beef, chicken and rice will be excluded from liberalisation under the agreement.

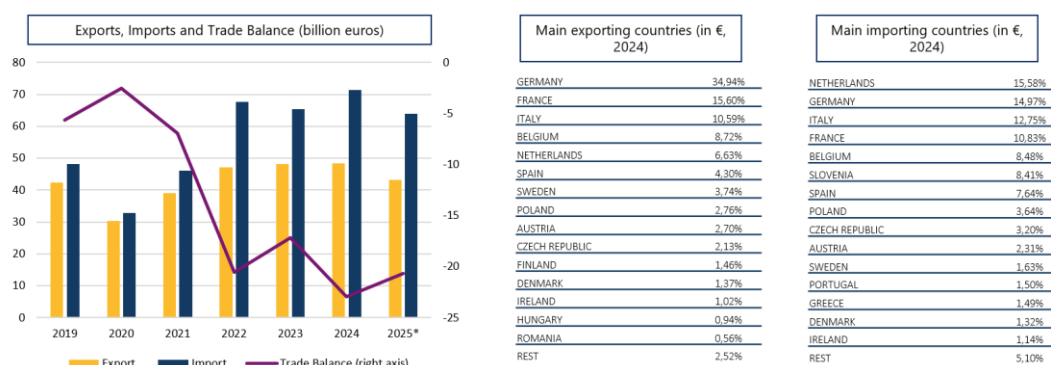
EU-India trade relations

In terms of **trade** between the two blocs, the **EU** and **India** maintain close trade relations. Over the last decade, bilateral trade has strengthened, and, in terms of goods, the EU is India's **second largest trading partner**, behind only China (European Council 2026).

According to consolidated data from 2024, EU **exports** to India reached one of their highest levels, standing at around **€48 billion** (Illustration 1). Meanwhile, **imports** continue to show sustained growth, with an approximate value of **€65 billion**. The most recent figures, which correspond to the cumulative data from January to November 2025, maintain this trend, with EU exports to India worth €43 billion and imports worth almost €64 billion.

Illustration 1|

Exports and imports between the EU and India



(* Cumulative data from January to November
Source: own elaboration based on Eurostat data

By country, **Germany** is consolidating its position as the leading European partner, accounting for around 50% of trade flows with India, mainly in the industrial sector, particularly machinery and capital goods. It is followed by France and Italy, with a combined trade share of 25%.

From a **sectoral perspective**, in 2024 EU exports to India were mainly concentrated in **capital goods** (54.4%), followed by **semi-manufactures** (23.7%) and **consumer goods** (7.3%). Imports follow a similar pattern, with demand from the European bloc focused on semi-manufactured goods (34.3%), capital goods (27.4%) and consumer goods (17.4%).

Table 1|

Main EU-India export and import sectors in 2024 (in thousands of euros)

Sector	Export value	% of total	Sector	Import value	% of total
Capital goods	26,313,392	54.4	Semi-manufactured goods	24,495,860	34.3
Semi-finished products	11,448,908	23.7	Capital goods	19,553,170	27.4
Consumer manufactures	3,516,567	7.3	Consumer manufactures	12,421,129	17.4
Raw materials	2,978,375	6.2	Energy products	7,124,377	10.0
Automotive sector	1,934,231	4.0	Food, beverages and tobacco	3,932,357	5.5
Food, beverages and tobacco	790,215	1.6	Automotive sector	2,127,233	3.0
Other goods	596,561	1.2	Raw materials	821,975	1.2
Energy products	436,816	0.9%	Durable consumer goods	818,809	1.1
Durable consumer goods	357,524	0.7	Other goods	53,887	0.1
Total	48,372,589		Total	71,348,796	

Source: own elaboration based on data from the Ministry of Economy, Trade and Enterprise

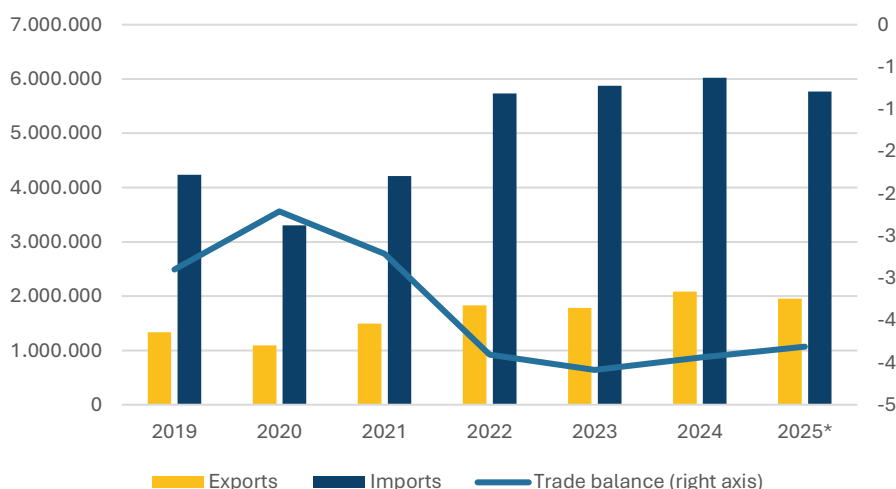
It is undeniable that cooperation between the two blocs not only represents far-reaching trade liberalisation but also opens up opportunities for access to a **large-scale market**. This potential is particularly relevant for the **industrial** and **agri-food sectors**, both of which are strategic for Europe, and in particular for **Spain**, for which the agreement can help to consolidate and diversify its presence in the Indian market.

Spain-India trade relations

Spain currently **ranks sixth** among **European exporters** to India and **seventh** among **importers** (Embassy of India n.d.). Although trade flows between the two countries have continued to evolve positively (Graph 1), Spain continues to record a trade deficit, which stood at around **€4 billion** in 2024. Looking ahead, the entry into force of the agreement could help to gradually reduce this gap and **promote the positioning of products that are relevant to the Spanish export sector**, such as wine and olive oil, as well as machinery and capital goods.

Graph 1|

Evolution of the value of exports and imports between Spain and India (in billions of euros)



(*) Cumulative data from January to November

Source: own elaboration based on data from the Ministry of Economy, Trade and Business

In this regard, and in terms of sectoral composition, Table 2 shows that Spanish exports to India have mainly focused on **capital goods** (38.9%) as the main category, followed by **semi-manufactured goods** (35.9%) and **raw materials** (9%). In terms of imports, semi-manufactured goods, consumer goods and capital goods once again stand out, with shares of 33.4%, 24.6% and 18.7%, respectively.

Table 2 |

Main export and import sectors between Spain and India in 2024 (in thousands of euros)

Sector	Export value	% of total	Sector	Import value	% of total
Capital goods	809,415	38.9	Semi-manufactured goods	2,013,892	33.4
Semi-manufactured goods	747,172	35.9	Consumer manufactures	1,480,559	24.6
Raw materials	187,611	9.0	Capital goods	1,125,782	18.7
Food, beverages and tobacco	94,662	4.5	Energy products	697,566	11.6
Consumer manufactures	75,569	3.6	Food, beverages and tobacco	375,919	6.2
Energy products	71,731	3.4	Automotive sector	153,974	2.6
Automotive sector	42,126	2.0	Durable consumer goods	84,210	1.4
Other goods	37,061	1.8	Raw materials	57,477	1.0
Durable consumer goods	16,118	0.8	Other goods	32,758	0.5
Total	2,081,465		Total	6,022,137	

Source: own calculations based on data from the Ministry of Economy, Trade and Business

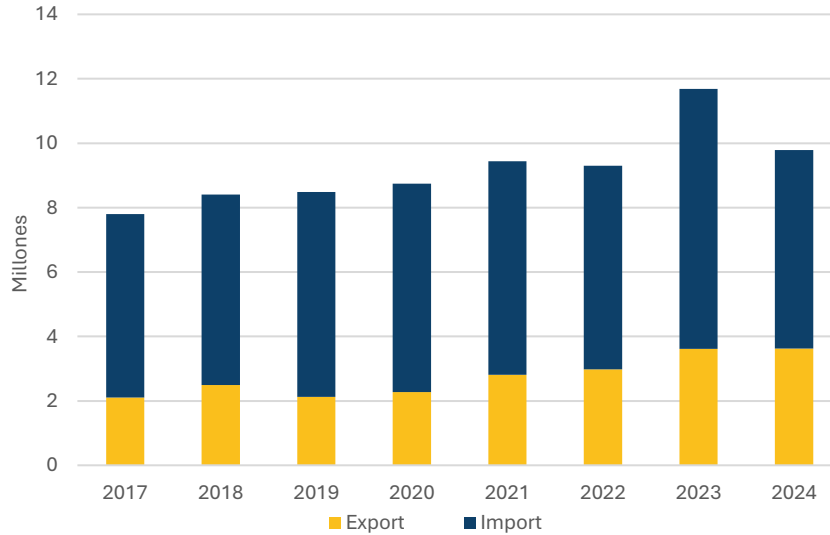
Although the agreement has been structured on the basis of strategic trade cooperation between both parties, concerns about protecting **domestic industry** remain, especially in the **agricultural sector**, in a European context marked by greater social and sectoral scrutiny of trade agreements. Nevertheless, the European agricultural sector **recognises** the **potential** of the **new trade agreement** and admits that it can bring **added value**, while stressing the need to maintain effective **safeguard mechanisms** to ensure the protection of the most vulnerable national sectors (Union of Small Farmers and Ranchers (UPA) 2026). Likewise, for the agreement to be successful, **reciprocity in food health** and **safety standards** will be a priority, together with the application of rigorous border controls.

Role of maritime transport in trade between Spain and India

If this scenario materialises, not only could the Spanish economy benefit from the agreement, but it could also translate into a **boost in port traffic flows** to Spanish ports. According to data from **Puertos del Estado**, the volume of goods exchanged between the two regions has remained relatively stable (Graph 2). Exports have stood at around **3 million tonnes**, although they are expected to rise to 3.6 million tonnes in 2024. Imports, meanwhile, follow a similar trend and fluctuate between **5 and 7 million tonnes**, with a peak in 2023 reaching 8.06 million tonnes.

Graph 2|

Evolution of port traffic between Spain and India in millions of tonnes (including transit) (2017–2024)

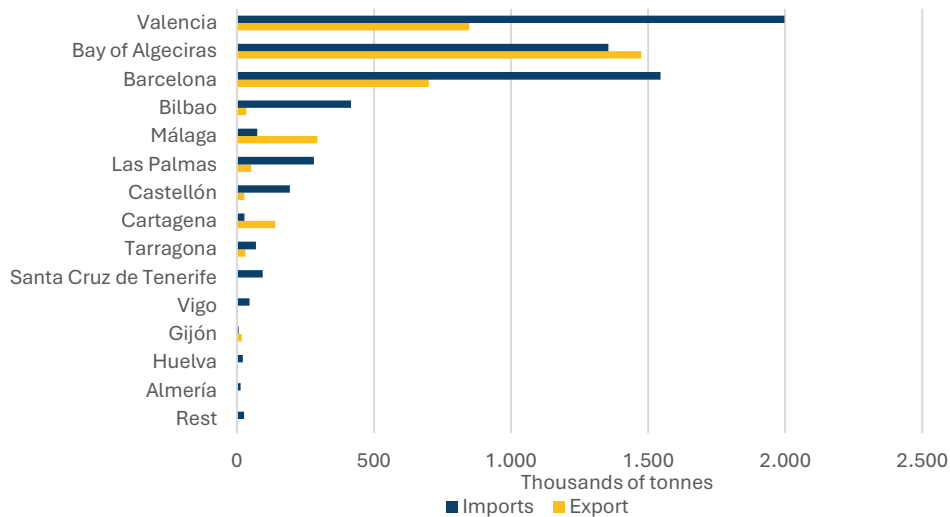


Source: own elaboration based on data from Puertos del Estado

Focusing on the ports in **the Spanish port system**, the most recent data, corresponding to 2024, indicate that the **Port of Valencia** maintains its leading position, channelling nearly **30%** of the flows with India. It is followed by the Port of Algeciras and the Port of Barcelona, which handled around 1.4 million and 700,000 tonnes respectively.

Graph 3|

Main Spanish ports in trade with India in thousands of tonnes (including transit) (2024)



Source: own elaboration based on data from Puertos del Estado

This scenario highlights that trade with India is not concentrated on a **single axis**, suggesting that, if the agreement comes into force, Spanish ports could strengthen their role as **important access points** for trade with India. This could translate into improved **maritime connectivity**, with an increase in port calls and services that would benefit Spanish ports.

In general terms, the agreement addresses several key implications for Spanish ports. Among them, it favours the **attraction of strategic trading partners** by encouraging investment between the two blocs, a scenario that would **optimise the logistics chain** and **strengthen commercial activity**. In this regard, the agreement opens the door to greater integration of Spanish ports into **global maritime networks**, strengthening the **competitiveness** and **resilience** of the Spanish port system and thus consolidating its position as a leading **logistics hub** in the Mediterranean.

In particular, it is estimated that a significant proportion of the goods exchanged between the two blocs will be concentrated in the **manufacturing industry** and the **agri-food sector** (European Commission 2026b). This fact underlines the need to fully comply with the established phytosanitary regulations and the safety and quality standards required by both parties. In this context, operations may require adjustments to the **supply chain**, especially in the **logistics of perishable products**, to ensure **quality, traceability** and **compliance with the standards applied**.

In short, the **free trade agreement** between the **EU** and **India** is not only an instrument of tariff liberalisation but also reflects the **convergence of strategic interests** in an international context marked by the fragmentation of supply chains and the need for reliable alliances. According to the European Commission, the agreement could help double EU exports of goods to India by 2032 and generate savings of approximately €4 billion per year in tariffs (European Commission 2026a).

From a **maritime-port perspective**, the agreement will lead to a foreseeable increase in trade flows between the blocs and, consequently, greater demands in terms of **operational efficiency** and international **competitiveness**. This scenario presents a key opportunity to commit to **port digitalisation** by promoting the integration of Maritime Single Window systems and their interoperability with *Port Community Systems* (PCS), in order to streamline customs procedures and improve traceability. Similarly, the increase in bilateral traffic will require the consolidation **of efficient connections** with the **hinterland**, where **intermodality** is a strategic element in optimising the transport logistics chain.

However, the success of the agreement will depend largely on its effective implementation and the balance between **trade liberalisation** and **the protection of sensitive sectors**. Beyond its economic and commercial dimension, the agreement is part of a **strategy to diversify** and strengthen **trade relations** in a changing international environment. In this sense, rather than a simple tariff treaty, it acts as a **key framework** for deepening economic cooperation and strengthening the **EU-India relationship** in the medium term.

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