

It's time to upgrade the EU-India relationship

by Anunita Chandrasekar, 7 February 2025

The EU's new leadership team all agree that relations with India should be a priority, and both sides stand to gain by deepening co-operation. Renewed great power competition should give the relationship a fresh impetus.

India is clearly on the agenda of the new EU team. Ursula von der Leyen's [announcement](#) on January 21st that the first trip of her new term would be to India, [accompanied](#) by the full college of Commissioners, builds on her 2022 [statement](#) that the relationship with India was one of the Union's "most important for the coming decade". This was echoed earlier this month by European Council President, António Costa, when he [described](#) India as one of the EU's main global partners and said it was time to boost relations and "engage in a new strategic agenda". Additionally, in her confirmation hearing, EU High Representative for Foreign Affairs and Security Policy Kaja Kallas told the European Parliament that the EU's relations with India had "so much unexplored potential".

But despite the warm rhetoric, the EU-India relationship is currently much thinner than it could be. India has seen the EU as a trade bloc rather than a political actor, and has focused on developing bilateral relations with member-states, whilst senior EU officials, speaking privately, have acknowledged that "Europe knows too little about India". In 2018 the EU released an embryonic [strategy](#), 'Elements for an EU strategy on India'. However, this lacked the strategic clarity of the EU's 2019 joint communication on China, with its triptych of 'partner, competitor, systemic rival', and the Commission's call for a more joined-up European approach remains unanswered. EU-India relations are currently governed by a [roadmap](#) which, though broad, contains little that is operational and is due to be renegotiated in 2025. Shared concerns about dependencies on China and an increasingly polarised world should, however, push both parties to try to overcome the obstacles to closer co-operation.

Both Europe and India have a shared interest in maintaining a balance of power in an Indo-Pacific region increasingly shaped by China. The EU is paying more attention to the region, resulting in the launch of European strategies on [connecting Europe and Asia](#) and on the [Indo-Pacific](#) more generally. India's

ambitious domestic agenda of sustainable modernisation and development dovetails with several of Europe's foreign economic priorities, and both the EU and India are seeking to reduce their dependencies on China in areas such as critical minerals. India could play a role in helping Europe to derisk and diversify supply chains, in line with the call in the [Draghi report](#) for a European foreign economic policy. These clearly converging interests could overcome potential divergences on aspects of trade and foreign policy.

India's growing global importance

India has grown rapidly to become the world's fifth-largest economy in terms of purchasing power parity – projected to become the world's third-largest by 2030 – and also the world's most populous nation, on the cusp of a demographic dividend in the form of a working age population of around one billion by 2030. However, in PPP terms per capita GDP languishes at 122nd in the world. The government's 'Make in India' seeks to turn India into a manufacturing hub to rival China, with the goal of reaching \$2 trillion in total exports by 2030, almost five times the 2023 total of \$432 billion, whilst *Viksit Bharat* ('Developed India') aims to make India a developed nation and eradicate extreme poverty by the centenary of Indian independence in 2047.

India is keen to play a larger global role and engages constructively with a diverse range of partners, ranging from the US, the EU and Israel to Russia and Iran, including in various minilateral and multilateral formats. On the one hand, it is a member of groupings such as the security-focused Quad with Australia, the US and Japan, and the I2U2, which consists of India, Israel, the UAE and the US, and focuses on increasing economic co-operation. On the other hand, India is also involved in formats such as BRICS and the Shanghai Co-operation Organisation, in both of which China and Russia are prominent. However, India wants such groupings to [remain](#) 'non-Western' rather than 'anti-Western'.

Furthermore, New Delhi is actively advancing India-led solutions to global issues. A good example of this was the launch of the ambitious India-Middle East-Europe Economic Corridor (IMEC) on the sidelines of the 2023 G20 summit in New Delhi. This would connect India to Europe via the Gulf States, Israel and Jordan and avoid transport chokepoints such as the Suez Canal or the Red Sea. India also used its G20 presidency to amplify its role as a 'voice of the Global South' and give greater prominence to solutions it has developed to some of the issues it believes are crucial to Global South countries, one of which is digital transformation.

India's indigenously developed [Digital Public Infrastructure](#) solutions have facilitated the digitalisation of the country, creating biometric identities and secure platforms for digital payment, and could potentially boost GDP by 2.9 – 4.9 per cent by 2030. New Delhi has capitalised on its knowledge, signing agreements on digital transformation with countries such as Armenia, Colombia, Kenya and Tanzania. For Europe, India's engagement with the Global South could offer valuable opportunities for trilateral co-operation on shared priorities, including sourcing and processing critical minerals in regions of increasing strategic significance, such as Central Asia.

Foreign policy divergences and convergences

India sees Russia – as the successor to the Soviet Union – as a historical ally and key supplier of defence equipment. But its refusal to condemn Russia's invasion of Ukraine and its burgeoning imports of Russian oil have not caused a significant rift with Europe. If anything, EU-India ties have taken some significant steps forwards since 2022, with the resumption of trade negotiations and the launch of initiatives such as

the [EU-India Trade and Technology Council](#) (TTC). The TTC, launched in 2023, is only the Union's second after that with the US. It has three working groups covering strategic technologies, resilient supply chains and clean and green technology, that aim to bring together high-level representatives and experts from both sides. An [EU-India connectivity partnership](#), launched in 2022, aims to increase co-operation in the energy, transport and digital sectors. But these initiatives have produced few substantive outcomes so far.

Brussels seems to have concluded that the strategic value of EU-India relations outweighs disagreements over Russia, and understands that it has limited influence on India's foreign policy strategy of multi-alignment. New Delhi has even sought to use its neutrality as an asset, offering to host a follow-up to the inconclusive peace summit held in Switzerland – a move [welcomed](#) by Ukrainian president Volodymyr Zelenskyy.

Until recently, few Indian companies had been sanctioned by the EU for helping Russia to obtain sensitive embargoed goods, and there was little criticism of the Indian government, even after Modi's visit to Moscow last year. But recent US and EU [sanctions](#) on the so-called Russian shadow fleet of oil tankers have led to many of them being turned away from India, which is likely to reduce Moscow's revenues. This does not, however, mean that India is likely to downgrade its broader relations with Russia, though it is concerned by the growing closeness between Russia and China – as the EU is. Unlike the EU, however, New Delhi sees its relationship with Moscow as a means to prevent complete Russian dependency on China.

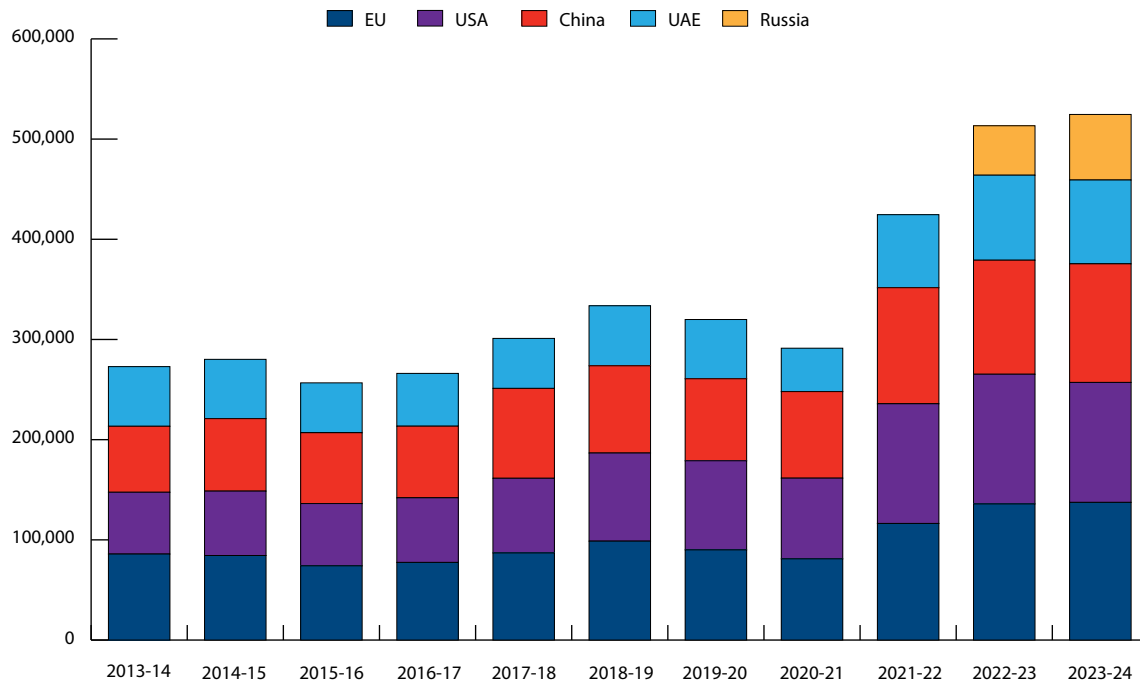
Like the EU, India finds itself needing to balance its economic relations with China, which is one of its top trade partners, with security concerns. Tensions in Sino-Indian relations have persisted since deadly clashes along the border in 2020. China will, nonetheless, remain an important economic partner for India and New Delhi seeks to emulate Beijing's economic development. Senior Indian advisers, [backed](#) by the Finance Minister, Nirmala Sitharaman, have even [called](#) for New Delhi to allow more Chinese investment – seen as necessary for Indian growth and more domestically advantageous than trade.

Trade and its discontents

Trade liberalisation would benefit both sides but has traditionally been a source of friction between Brussels and New Delhi. Negotiations on a free trade agreement (FTA) were suspended from 2013 to 2022. Despite this, the EU has consistently been one of India's top three trading partners (see Chart 1) over the past decade. Furthermore, in recent years, India appears to have recognised that it cannot sustain its domestic growth and meet its ambitious net export targets without expanding trade and investment opportunities. It has reconsidered some of the more protectionist impulses that have traditionally made it a difficult negotiating partner.

Since 2021, India has signed its first bilateral and multilateral trade agreements in almost a decade. Significantly, these have been with Australia, the UAE and European Free Trade Association (EFTA) – partners outside India's neighbourhood. Though more limited in scope and complexity than the projected India-EU FTA, with the Australia and UAE agreements lacking chapters on investment for example, they signal India's potential openness to liberalising trade. Prominent government-backed think-tanks are even [calling into question](#) India's refusal to engage with landmark agreements such as the 2019 China-led Regional Comprehensive Economic Partnership – an agreement spanning the Indo-Pacific that is world's largest free-trade area in terms of GDP – or the 12-nation Comprehensive and Progressive Agreement for Trans-Pacific Trade.

Chart 1: Comparison of five of India's top trading partners over the last decade (total volume of trade, billions of US dollars)



Source: Indian Ministry of Commerce and Industry data 2013-2024.

The EFTA deal is of particular interest as it is with European partners and includes an unusual [commitment](#) by EFTA countries to increase their FDI in India to \$100 billion and create 1 million jobs over a period of 15 years. Whilst the feasibility of this remains to be seen, it shows India's appetite for increasing European FDI. The EU is already one of India's top three sources of FDI, with its aggregate investment stock reaching €108.3 billion in 2022. Sectors that stand to benefit include services and computer hardware and software, which together made up around a third of FDI inflows in 2023-24. European companies would have an advantage over Chinese ones, as India introduced restrictions on Chinese FDI in 2020, making investments subject to government approval. Strategic sectors that India is already committed to developing, such as semiconductor manufacturing and green hydrogen, would be open to European firms.

India regards the EU's emphasis on labour standards and environmental measures – such as CBAM – as protectionist. But in the December 2024 deal with Mercosur, which was in the work even longer than the India deal, the EU showed some flexibility in regard to climate obligations, with a 'rebalancing mechanism' potentially allowing Mercosur countries to challenge EU environmental measures that reduce the trade benefits of the agreement. India might be able to secure a similar concession. Another contentious area for India in any negotiation is agriculture, which employs almost 43-50 per cent of India's labour force, almost 80 per cent of whom are small farmers and would be adversely affected by an FTA.

India also wants more opportunities for skilled labour mobility. Brussels could have a valuable bargaining chip in the form of simplified working visa procedures or the mutual recognition of qualifications, though such steps might jar with Europe's increasingly anti-migrant sentiment. Nonetheless, member-states such

as [Italy](#) and [Germany](#), despite their desire to reduce overall migration, have increased the number of visas on offer to skilled Indian workers, such as nurses, to fill vacancies.

Recent developments on both the Indian and European sides suggest that there could finally be a breakthrough in negotiations and that an FTA could be agreed within the next few years, though there have been false dawns [before](#). Trade commissioner Maroš Šefčovič has [highlighted](#) his intention to “contribute to developing a strategic EU-India agenda” in his confirmation hearing in the European Parliament and in a recent meeting with Piyush Goyal, the Indian Minister of Commerce and Industry, [announced](#) a mutual commitment to a “commercially meaningful trade agenda”. The EU is proceeding with three separate sets of negotiations – over an FTA, an Investment Protection agreement and a Geographical Indications agreement – signalling that it will not hold progress in one or two areas hostage to agreement across the board.

Co-operation beyond trade

Even in the absence of agreements to deepen trade and investment, there is still scope for closer EU-India co-operation in technology, combating climate change, education and skills, as well as defence and security. The already-established TTC could be useful in driving relations forward and the focus should be on research and innovation, and collaboration between start-ups in critical sectors such as quantum computing, EV batteries and semiconductor manufacturing, a topic on which the EU has already [signed](#) an agreement with India. Additionally, though migration is a contentious issue, Europe can still help India capitalise on its youthful population through co-operation on developing skills, especially in cutting-edge fields.

India is the world’s third-largest contributor to greenhouse gas emissions and meets around half of its current energy needs with coal. It has ambitious plans to cut its carbon emissions in half by 2030 whilst striving to become a net exporter of green hydrogen and bolster its solar and wind capacities. Europe could help India meet these targets and potentially even benefit from India being a net exporter of green energy.

When it comes to defence and security, Europe and India have converging interests in the Indo-Pacific. The launch of [security and defence consultations](#) and [maritime security dialogues](#) in the last few years reflect this, and there is scope to increase high-level dialogue. India, responsible for the world’s largest share of global arms imports, could also become an important customer for a wider range of European defence firms. These could both reduce New Delhi’s dependence on Russia, whose share of Indian arms imports has already [decreased](#) from 76 per cent to 36 per cent between 2009 and 2023, and help European firms maintain a pipeline of orders. Ultimately, however, this will continue to depend on individual member-states. France, already India’s second largest supplier of arms after Russia with a 33 per cent share of arms imports between 2019 and 2023, and Germany, which has stated its commitment to increased arms co-operation in its recent ‘[Focus on India](#)’, are likely to be at the forefront.

Conclusion

As two of the world’s largest market democracies, more reliant on international trade than the US or China, Brussels and New Delhi share many interests and should deepen their partnership to offset the challenges posed by increased US-China competition. Though concluding an FTA has been difficult, there is clearly more at stake this time around and both sides seem more open to compromise. Besides

trade and investment, there are other promising avenues of co-operation, and recent EU-India initiatives on technology and connectivity suggest that both sides see the benefits of increased engagement.

Europe is well-positioned to become a partner of choice in helping India accomplish its ambitious growth and development aims whilst simultaneously diversifying its own supply chains, and accessing new and expanding markets. The negotiation of a successor to the EU-India 'roadmap' and the visit of von der Leyen and the entire college of Commissioners later this year are opportunities to forge a closer partnership, reflecting both sides' priorities in a world of increasing great power competition and fragmentation of the rules-based order. It is a chance that the EU and India should not waste.

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