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India-European Union Trade Deal: A Geopolitical Pivot in the Making

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Abstract:

The Free Trade Agreement signed on 27 January 2026 between India and the European Union represents a turning point in the Euro–Indo-Pacific economic and strategic architecture. After more than two decades of negotiations, the agreement provides for the elimination or reduction of tariffs on over 90 % of trade flows, expanded access to services — including financial and maritime services — and regulatory provisions in areas such as sustainability, intellectual property, and investment. However, its significance extends beyond the commercial sphere, as the agreement emerges in a context of growing systemic rivalry, increasing U.S. pressure on both Brussels and New Delhi, and structural dependence on China in critical sectors. Within this framework, the text can be interpreted as a strategy of defensive realism, insofar as both parties seek to reduce risks without resorting to abrupt decoupling from either the United States or China, while simultaneously strengthening their strategic autonomy through deep economic integration, complemented by a security and defence partnership that further institutionalizes cooperation in this domain.

Key Words:

European Union, India, Free Trade Agreement, Defence, Partnership.

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Introduction

On 27th January in New Delhi, India signed a major free trade agreement with the European Union¹. The conclusion of the “mother of all agreements” has brought most of Europe into the framework of trade agreements with India, with the aim of creating a common market of 2 billion people². When these negotiations, having lasted more than twenty years, were finally settled, much more than trade was at stake for these two giants.

And a reaction soon followed. A few days later, Trump, on his social network, reported a conversation with Indian Prime Minister, Narendra Modi, claiming that Modi had agreed to reduce or cease purchases of Russian crude oil and to significantly increase oil imports from the United States, with the possibility of also incorporating resources from Venezuela, but Russia has not confirmed any such imminent reduction in India's crude oil purchases.

The Free Trade Agreement (hereinafter FTA) between the European Union and India is a historic and ambitious pact whose main objectives are to strengthen economic and political ties, reduce tariffs and administrative barriers and increase access to the Indian market of goods and services, including in sectors such as financial and maritime services, with the aim of doubling EU exports to India. This is reflected in the elimination or reduction of tariffs on more than 90% of exports, improved access to financial and maritime services, regulatory and sustainability provisions relating to industrial and intellectual property protection, customs procedures, the environment, labour and fundamental rights.

While the FTA is a milestone, the EU and India are still trying to conclude another two parallel agreements, concerning Geographical Indications and Investment Protection, which are being negotiated jointly to complete the comprehensive legal and trade framework. Furthermore, it will take some time to come into force, as it must first undergo legal review and ratification by the European Council, the European Parliament and the Indian Lok Sabha (parliament). In any case, it is a clear sign that both the EU and India

¹ EUROPEAN COMMISSION. “EU and India conclude landmark Free Trade Agreement”, *Press corner*. 2026. Available at https://ec.europa.eu/commission/presscorner/detail/en/ip_26_184 (accessed 9 February 2026).

² Ibid.

are seeking closer cooperation to safeguard themselves against dependence on third parties, namely the United States and China.

As the geopolitical landscape becomes increasingly hostile to the values shared by India and the EU - such as global institutions, a rules-based international order, state sovereignty and human rights - this trade agreement also acts as a strategic response, defending the preservation of what remains of an international order, at the brink of collapse.

Currently, both India and the EU have been penalised by their main ally, the United States. India through tariffs³, the EU not only through tariffs, but also through threats to its territorial integrity, such as President Trump's attempt to buy Greenland from Denmark and his threat to take the island by force. This puts pressure on both Europe's eastern and transatlantic fronts, having previously been one of the world's safest regions for more than seventy years.

For its part, India, once seeming confident about Trump's arrival in the White House, now faces some of the highest tariff rates in the world, endangering another of the most promising alliances of the post-Cold War period. The country, which had once sought a closer partnership with the United States in defence and economics, to counter China, is now facing significant tensions due to Washington's recent policies.

Against this backdrop, the question arises: what do India and the EU stand to gain from this agreement? In an era of economic instrumentalisation, both markets will benefit from stability and predictability. The more important question, however, is whether this will also translate into more intensive strategic cooperation, including on security and defence.

Given this prelude, one wonders what both India and the EU stand to gain from this. In an era of economic militarism, it is clear that stability and predictability will benefit both markets. However, the further question remains: will it also translate into a closer strategic cooperation? To answer this question, India's strategic calculation must take current European policy into account, which operates at both national and supranational levels. The national governments of European States are simultaneously trying to manage the North Atlantic Treaty and an alternative defence mechanism within the EU, a long-

³ LOWELL, M., HEEREN, P., ANGOTTI, J. *et al.* "Trump 2.0 tariff tracker", *Trade Compliance Resource Hub*. 2026. Available at: <https://www.tradecomplianceresourcehub.com/2026/02/05/trump-2-0-tariff-tracker/> (Accessed 9 February 2026).

standing dream of EU technocrats since the 2000 Treaty of Nice⁴. However, the chances of success remain very limited and controversial.

US distances itself from New Delhi and Brussels

Since January 2025, there has been a progressive US rejection of the EU taking the form of economic pressure, through tariffs and trade coercion on European exports; recurrent threats of more punitive tariffs from 10-25%; and attempts to force member states to negotiate these conditions bilaterally, not as a bloc, explicitly focussing on the idea that “trade deficits are a security risk”. At the same time, there has been a strategic decoupling, notably via diplomatic neglect and a relegation of the EU's political status through the reduction of Brussels' role in critical negotiations such as ending the war in Ukraine; a preference for bilateral channels with specific, ideologically aligned states (Poland, Hungary and Italy) and a public rhetoric that “Europe is taking advantage of the United States”, which has led to the questioning of NATO's very existence, coupled with a demand for an increase in members' military spending of up to 5% of GDP. Finally, the US government's interest in Greenland is particularly revealing of its disrespect for the EU, where a geostrategic justification has become a total disregard for Denmark's sovereignty⁵.

With regard to India, mistrust persists, although Trump has spoken of a trade deal that would lower tariffs from 50% to 18%, stating that Prime Minister Modi has pledged to increase purchases of US goods by more than 425 billion euros and reduce its purchases of Russian crude oil⁶. In the US *National Security Strategy* published last November, India is explicitly listed as a piece of the Indo-Pacific security architecture, including quadrilateral cooperation with Australia, Japan and the United States, while the document

⁴ EUROPEAN PARLIAMENT. *Treaty of Nice*. 2026. Available at: <https://www.europarl.europa.eu/about-parliament/en/in-the-past/the-parliament-and-the-treaties/treaty-of-nice> (accessed 9 February 2026).

⁵ MESSMER, M. “US intentions towards Greenland threaten NATO's future. But European countries are not helpless”, *Chatham House – International Affairs Think Tank*. 2026. Available at: <https://www.chathamhouse.org/2026/01/us-intentions-towards-greenland-threaten-natos-future-european-countries-are-not-helpless> (accessed 9 February 2026).

⁶ KULKARNI, A. “India-US trade deal follows 12 months of bonhomie and tense moments on tariffs, oil standoff and phone calls”, *Hindustan Times*. 2026. Available at: <https://www.hindustantimes.com/India-news/India-us-trade-deal-follows-a-tense-12-months-of-tariffs-oil-disputes-and-stalled-talks-a-timeline-101770096244129.html> (accessed 10 February 2026).

presents Trump himself as a mediator in last May's conflict between Pakistan and India⁷, a point that was confirmed by Islamabad but categorically rejected by New Delhi.

Despite New Delhi's reluctance, the United States remains one of India's biggest trading partners, with combined exports and imports of more than 124 billion euros annually, a figure that demonstrates the growing complexity and depth of this economic interdependence. In fact, India is the primary source of global US imports⁸. For the United States, however, it remains a regional not a global power that is called upon to play a leading role in the Indian Ocean and South-east Asia as a counterweight to China's presence in the region⁹.

India-Europe: so close, yet so far apart

After the Cold War, India strengthened its ties with Europe. It signed its first strategic partnership agreement with France in 1998 and with Germany in 2001. It currently has strategic partnerships with six other European states in addition to the EU, and there are talks to elevate other bilateral relations, such as those with Spain¹⁰, to this level. This lays the foundations not only for economic cooperation but also for collaboration in the defence sector. However, progress has been slow, because both India and Europe turned to the United States to balance their main political opponents: Russia in the case of Europe and China in the case of India. The European Union has enjoyed a position of institutional security under the NATO umbrella. India, on the other hand, has sought to become self-sufficient and diversify its defence suppliers, traditionally dependent on the Soviet Union and today Russia¹¹.

⁷ UNITED STATES GOVERNMENT. *National Security Strategy*. Washington, DC, Executive Office of the President. 2025. Available at: <https://www.whitehouse.gov/wp-content/uploads/2025/12/2025-National-Security-Strategy.pdf> (accessed 9 February 2026).

⁸ THE OBSERVATORY OF ECONOMIC COMPLEXITY – OEC. *Comercio entre India (IND) y Estados Unidos (USA)*. 2026. Available at: <https://oec.world/es/profile/bilateral-country/ind/partner/usa> (accessed 9 February 2026).

⁹ FERNÁNDEZ, J. *Will history repeat itself? India today, like China yesterday, risks a new Thucydides Trap for the United States*. IEEE Analysis Document 44/2025. Madrid, CESEDEN – Ministry of Defence. 2025. Available at: https://www.defensa.gob.es/documents/2073105/2595202/la_india_hoy_2025_dieeea44.pdf (accessed 9 February 2026).

¹⁰ GONZÁLEZ, E. "Albares calls for Spain-India relationship to be elevated to a "strategic partnership" in Delhi", *The Diplomat in Spain*. 2026. Available at: <https://thediplotatinspain.com/en/2026/01/22/albares-calls-for-spain-india-relationship-to-be-elevated-to-a-strategic-partnership-in-delhi/> (accessed 9 February 2026).

¹¹ FERNÁNDEZ, J. & PANDEY, H.: *A Strategic Partnership: Security Cooperation between India and the European Union*. IEEE Analysis Document 11/2025. Madrid, CESEDEN – Ministry of Defense. 2025. Available at: https://www.defensa.gob.es/ceseden/-/ieeee/una_asociacion_estrategica_2025_dieeea11 (accessed 9 February 2026).

Two decades of development and negotiation of the Free Trade Agreement

The timing of the India-EU FTA can be reconstructed quite clearly¹². A first phase of long talks (2007-2013) was followed by an extended hiatus (2013-2024) and then an accelerated revival after February 2025, culminating in the conclusion of negotiations, alongside other open negotiations on two complementary instruments: an agreement on mutual recognition and another on the protection of geographical indications, where each party legally protects the most important products of the other in its market, linking them to a specific geographical origin, such as certain beverages and foodstuffs. For example, in India, wine cannot be sold unless it specifically comes from an EU country, while in the EU, rice cannot be labelled as "basmati" unless it comes from India. Secondly, an investment protection agreement will give legal certainty to companies investing in the other market¹³.

In 2007, the EU and India formally commenced FTA negotiations, a process that was hindered by structural issues such as sectoral rejections in both the EU and India, and the talks were blocked in 2013 after reaching an impasse within asymmetric negotiations between a regulatory power like the EU and a then emerging economy, India, with a new government, led by Narendra Modi, interested in resurrecting the FTA project, which would take several years of further negotiations. Finally, on 8 May 2021, the EU and India agreed to resume talks, setting a schedule of meetings separating the three agreements (FTA, geographical indications and investment), which allowed for rapid progress and reduced the risk of a total blockage of the process, as had happened in 2013¹⁴.

In April 2022, the EU-India Trade and Technology Council was established, a common forum for setting standards, studying supply chains, critical technologies and ensuring economic security for both sides. More recently, on 28 February 2025, just after Trump

¹² EUROPEAN COMMISSION – DG TRADE. *EU trade relations with India*. 2026. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/India_en (accessed 9 February 2026).

¹³ EUROPEAN COMMISSION – DG TRADE. *EU-India agreements: Documents*. 2026. Available at: https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/India/eu-India-agreements/documents_en (accessed 9 February 2026).

¹⁴ MOHAN, C. R. "India-Europe deal isn't a byproduct of Trump's America: How the "Mother of All Deals" reshapes global trade in 2026", *The Indian Express*. 2026. Available at: <https://Indianexpress.com/article/opinion/columns/India-eu-europe-trade-fta-trump-us-tariffs-cars-wine-textiles-10496972/> (accessed 9 February 2026).

2.0 arrived in the White House, the President of the European Commission Ursula von der Leyen and Prime Minister Modi agreed to quicken the pace to get the long-awaited FTA signed before the end of the year¹⁵. The last formal round of negotiations took place in October, ending with its final signature on 27th January in New Delhi. It must be stressed that both sides have stated that the final text still need to be approved for compliance after legal review and ratification in accordance with each side's procedures.

The real impact of the Free Trade Agreement

What can India do for the EU and what can the EU do for India? As you can see, for years the relationship has been considered below its potential, but its problem was not just one of efficiency, but also of strategic necessity as neither side really needed the other. That is what has changed. The EU saw India as an emerging market, following China, with better access to the European market. Meanwhile, India saw the European market as economically relevant, but strategically secondary to its interests. That view has now changed.

For the EU, the trade deal is part of a broader attempt to reduce its structural dependence on China. In 2022, China accounted for approximately 20% of the EU's imports of critical intermediate goods, including pharmaceuticals, electronics and the processing of rare earth materials¹⁶. The Brussels slogan is one of “no risk” rather than of “decoupling” with China. India is not a replacement for China but reduces EU insecurities regarding high concentration. For India, on the other hand, the EU offers something that the United States does not, namely non-subordination. The US market is essential, but unpredictable and subject to personalistic political decisions. The EU, on the other hand, is more regularizing, slower, but also more stable.

In a world where US tariffs can be imposed or withdrawn by executive decree, European predictability becomes an advantage. The trade agreement integrates European capital

¹⁵ GOVERNMENT OF INDIA – MINISTRY OF EXTERNAL AFFAIRS. *Leaders' Statement: Visit of Ms. Ursula von der Leyen, President of the European Commission and EU College of Commissioners to India (February 27-28, 2025)*. Republic of India. Available at: <https://www.mea.gov.in/bilateral-documents.htm?dtl/39112/Leaders+Statement+Visit+of+Ms+Ursula+von+der+Leyen+President+of+the+European+Commission+and+EU+College+of+Commissioners+to+India+February+2728+2025> (accessed 9 February 2026).

¹⁶ EUROSTAT. “China-EU - international trade in goods statistics”, *Statistics Explained*. 2026. Available at: https://ec.europa.eu/eurostat/statistics-explained/index.php/China-EU_-_international_trade_in_goods_statistics (accessed 9 February 2026).

and supply chains into India's long-term industrial trajectory. This is important because integrated capital also creates the basis for political agreements. Those German car suppliers, French and Spanish defence companies, or Scandinavian green technology companies investing in India will lobby their own governments for closer relations between India and the EU.

An additional agreement on security and defence?

The security relationship between India and the United States has undergone a significant expansion since the first Trump Administration (2017-2021) which continues today. As in the case of turnover, a long-term structural partnership in defence has been established. Away from the controversies on social media, last October saw the renewal of the India-United States Defence Cooperation Framework for another ten years, a bilateral instrument that provides for joint exercises between the two countries' military forces, the lifting of restrictions on more than 200 Indian nuclear entities dating back to 1998, and significant Indian spending on US materiel¹⁷. However, as a result of India's discontent with the imposition of the US tariffs, a cooling has become evident, symbolised by the case of India's announced acquisition of F-35 Lightning II fighter jets, which has been de facto suspended¹⁸.

As in the EU-India FTA, this has led to increased Indian interest in investigating European defence markets, together with the increased security cooperation, which was already taking place with some member states, notably the successful history of Franco-Indian acquisitions since the 2000s.

In January, coinciding with the signing of the FTA, the EU and India also formalised a Security and Defence Partnership. Although lacking concrete action, it establishes a framework for cooperation that recognises security as a pillar in the bilateral relationship, covering areas such as maritime security - symbolised by joint naval exercises aimed at route protection and counter-piracy operations - cyber-defence against hybrid and cyber

¹⁷ PODDAR, D. "India y EE. UU. firman un marco de defensa de 10 años para profundizar la cooperación estratégica", *Invezz ES*. 2025. Available at: <https://invezz.com/es/noticias/2025/10/31/india-y-ee-uu-firman-un-marco-de-defensa-de-10-anos-para-profundizar-la-cooperacion-estrategica/> (accessed 9 February 2026).

¹⁸ "India to receive billions in US weapons, including F-35 stealth jets: Trump", *Al Jazeera*. 2025. Available at: <https://www.aljazeera.com/news/2025/2/14/india-to-receive-billions-in-us-weapons-including-f-35-stealth-jets-trump> (accessed 9 February 2026).

threats, space security and secure connectivity, as well as counter-terrorism cooperation, reinforcing information exchange and operations in this field as well¹⁹.

This security partnership responds to the shared interest of the EU and India in promoting a stable international order, creating mechanisms for dialogue and joint action in the multilateral forums in which they are members. In the future, where the EU is absent, its interests may be represented by India, through the Shanghai Cooperation Organisation for example, or vice versa, India itself may be represented through the EU, as in the case of NATO. With respect to the NATO, there are already countries with Indo-Pacific partner status, such as Australia, Japan, South Korea and New Zealand, the group known as the *Indo-Pacific Four*. Could India be interested in such a status?²⁰

On the other hand, beyond the agreement between the EU and India, there is already strong bilateral cooperation with Member States, taking the form of joint exercises or industrial defence projects. France stands out as India's most important partner since the 1960s, then with the acquisition of Dassault fighter jets, and today in maritime and air force programmes, with the construction of *Scorpène-class* submarines in Indian shipyards, joint naval exercises in the Indian Ocean, collaboration in anti-submarine warfare and the supply of Rafale fighter jets. Germany has also focused on maritime, logistical and technological cooperation, supplying sensors and electronic equipment, and also participating in shared naval exercises. Meanwhile, Italy has sought collaboration in aerospace defence, maritime surveillance and the development of dual-use technologies, while Spain maintains a presence focused on the cooperation of Tata Advanced Systems and Airbus Spain in the final assembly of the C-295 aircraft, joint naval exercises²¹ and the existence of a joint India-Spain working group exploring closer collaboration in the areas of weapons technology and production²².

¹⁹ GUTIÉRREZ, A. "La UE e India refuerzan su eje de seguridad ante las turbulencias del orden internacional", *ABC Color* (Mundo). 2026. Available at: <https://www.abc.com.py/mundo/2026/02/05/la-ue-e-india-refuerzan-su-eje-de-seguridad-ante-las-turbulencias-del-orden-internacional/> (accessed 9 February 2026).

²⁰ GHADIGAONKAR, A. "NATO-India Relations: Potential for Defence Cooperation", *The Geostrata*. 2025. Available at: <https://www.thegeostrata.com/post/nato-india-relations-potential-for-defence-cooperation> (accessed 9 February 2026).

²¹ GOVERNMENT OF INDIA – Ministry of External Affairs. *Question No. 5614: India-Spain Relationship*. Lok Sabha (Unstarred Question). 2025. Available at: <https://www.mea.gov.in/lok-sabha.htm?dtl/5614/QUESTION+NO5614+INDIASPAIN+RELATIONSHIP> (accessed 9 February 2026).

²² INDIA STRATEGIC. *5th Joint Working Group meeting between MoD of India & Spain held in New Delhi*. India Strategic. 2025. Available at: <https://www.indiastrategic.in/5th-joint-working-group-meeting-between-mod-of-india-spain-held-in-new-delhi/> (accessed 9 February 2026).

Strategic FTA combinations: Russia, the United States and China

Regarding Russia, as has already happened with the EU, where the US administration under Joe Biden tried to break energy dependence and EU-Russia ties, the Trump administration seems to seek to do the same with India, which seems complicated as it still maintains significant ties with Russia, not only for its economy and energy, but also in the field of defence²³.

However, the FTA has reshaped India's multi-aligned strategy. Its relationship with Russia has gone from being its central focus to becoming yet another variable²⁴. By entrenching its economic security in the European market, which accounts for 25% of global GDP, New Delhi is executing a structural manoeuvre that dilutes Moscow's traditional influence without requiring an explicit break with Russia. In real terms, the FTA facilitates technological decoupling from the Eurasian bloc by prioritising the transfer of cutting-edge dual-use technologies, green hydrogen infrastructure and R&D into semiconductors from Brussels; crucial to the ambitions of an *atmanirbhar* (autonomous) India²⁵ and virtually absent from Russia's export profile. While the "Special and Privileged Strategic Partnership"²⁶ with Moscow remains a tactical necessity to avoid an outright consolidation of a Russian-Chinese axis and to secure legacy defence supply chains, its strategic centre of gravity has shifted towards the West.

The FTA provides India with a geopolitical insurance policy, granting it the ability to overcome reduced energy dependencies and move towards a rules- and values-based integration with the EU. As a result, the India-Russia relationship is becoming compartmentalised, it remains a functional resource for energy and military-specific weaponry but is no longer the driving force behind India's development. This realignment consolidates India's role as a key power in a multipolar order, leveraging European trade to build the comprehensive national power needed to counter other hegemonic powers.

²³ ROY, R. & HUSSAIN, A. "Putin and Modi announce expansion of Russia-India trade ties", *PBS NewsHour*. 2025. Available at: <https://www.pbs.org/newshour/world/putin-and-modi-announce-expansion-of-russia-india-trade-ties> (accessed 9 February 2026).

²⁴ BOMASSI, L. *Living with friction: Three anchors of the EU-India partnership*. Brief, European Union Institute for Security Studies (EUISS), European Union. 2026. Available at: <https://www.iss.europa.eu/publications/briefs/living-friction-three-anchors-eu-india-partnership> (accessed 9 February 2026).

²⁵ Prime Minister's Office, Government Of India *Atmanirbhar Bharat: The Foundation of a Strong and Developed India*. 2025. Available at: https://www.pmindia.gov.in/en/news_updates/atmanirbhar-bharat-the-foundation-of-a-strong-and-developed-india/ (accessed 9 February 2026).

²⁶ PRESS INFORMATION BUREAU *From Strategic Partnership to Special and Privileged Bond: India-Russia Relations at a Glance*. 2025. Available at: <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2198621®=3&lang=1> (accessed 9 February 2026).

It also creates an influence that transcends simple Western alignment, positioning India as a crucial bridge to a possible resumption of relations between Europe and Russia, while also addressing Europe's deep fear of a consolidated Russia-China axis.

By formalising its partner status with Brussels, New Delhi has acquired the economic and regulatory capital to act as an impartial mediator, a role highlighted during the January 2026 summit where the FTA was signed, where EU leaders explicitly saw the partnership as a way to “to steer a rising power like India away from Russia”²⁷ and which could also use India's unique “Special and Privileged Strategic Partnership” to exert some influence over Moscow. This creates a space where India can serve as a de-escalation channel, offering Moscow a vital diplomatic and economic alternative to Beijing's total vassalage, a scenario that currently represents the EU's worst security nightmare.

By maintaining its defence and energy relations with Moscow, India effectively acts as a wedge preventing the outright consolidation of an anti-Western Eurasian bloc, thus fulfilling a security function for the EU by preventing Russia from falling completely under China's orbit, even if controversies persist such as the European purchase of Russian crude oil from India at a very high price after refining and amid international sanctions on Russia that the EU invokes and India does not. This crude oil import is considered to be in the national interest by New Delhi²⁸.

Moreover, as India chairs the 2026 BRICS Summit, it will leverage this bilateral influence to advocate a “humanity first” approach²⁹, potentially using joint connectivity projects and energy transition frameworks to build a functional, low-risk interaction platform between European capital and Russian resources. Ultimately, India's influence ensures that the EU-Russia relationship is not a complete trade-off between isolation and all-out war, but rather a controlled reality in which New Delhi acts as a stabilising pivot to a more inclusive and multipolar order to dilute the power of the burgeoning Russian-Chinese entente³⁰.

²⁷ “Europe and India seek closer ties with ‘mother of all deals’”, en *France 24*. 2026. Available at: <https://www.france24.com/en/live-news/20260124-europe-and-india-seek-closer-ties-with-mother-of-all-deals> (accessed 9 February 2026).

²⁸ GARCÍA, L. “Europa compra petróleo ruso a través de India a precios récord”, *El Radar*. 2026. Available at: <https://www.elradar.es/europa-compra-petroleo-ruso-a-traves-de-india-a-precios-record/> (accessed 9 February 2026).

²⁹ “India BRICS 2026 logo theme unveiled: Jaishankar — “Humanity-first, people-centric strategy”, *The Hindu*. 2026. Available at: <https://www.thehindu.com/news/national/india-brics-2026-logo-theme-unveiled-jaishankar-humanity-first-people-centric-strategy/article70505078.ece> (accessed 9 February 2026).

³⁰ FERNÁNDEZ, J. & PÉREZ, L. V. *Russian-Chinese relations in the period of the war in Ukraine* IEEE Analysis Document 10/2026. Madrid, CESEDEN - Ministry of Defence.2026. Available at: https://www.defensa.gob.es/ceseden/-/ieee/relaciones_ruso-chinas_2026_dieeee10 (accessed 9 February 2026).

The FTA also serves as a strategic safeguard against the unpredictability of the revitalised US “America First” agenda. By securing its economic stability within the rules-based integrated European market, New Delhi rejects Washington's transactional policy of incentives and sanctions as the only path to development. For the EU, the FTA represents a central search for strategic autonomy, with the aim of establishing India as a partner to diversify supply chains away from both China and an increasingly protectionist United States, particularly in light of recent transatlantic ruptures such as the dispute over Greenland. As a result, the FTA has effectively required a competitive alignment from Washington; the United States seems to have decided to fast-track its own interrupted bilateral trade agreement with India to regain lost power.

India has effectively compartmentalised its foreign policy, using European capital to hedge against US unpredictability, while consolidating itself as a crucial intermediary to prevent a total Western withdrawal from the Indo-Pacific. This strategy ensures that the future of global trade is governed not by a single transatlantic axis, but by a more equitable multipolar consensus. It also serves as a definitive risk reduction instrument that structurally alters India's defence trajectory with the United States away from a relationship of dependency, while remaining a preferred partner, such as for high-end kinetic platforms, evidenced by the 2025 agreement for GE F414 engines³¹.

On the other hand, the security and defence partnership introduces an Indo-European R&D ecosystem that breaks the US monopoly on critical emerging technologies. For New Delhi, this is a calculated move to circumvent the transactional friction of the “America First” agenda by securing alternative pathways for co-development with European partners, such as Safran, Rolls-Royce and Indra. India has effectively compartmentalised its defence procurement, using US platforms for Indo-Pacific interoperability, but leveraging European partnerships to access a sovereign industrial depth that Washington often does not share.

Consequently, the India-US trajectory is no longer a straight line towards alliance-like integration, it will now be market-driven competition, where the US must treat India as a

³¹ “India signs deal to buy 113 US engines for its Tejas fighter jets”, *Reuters*. 2025. Available at: <https://www.reuters.com/world/india/india-signs-deal-buy-113-us-engines-its-tejas-fighter-jets-2025-11-07/> (accessed 9 February 2026).

similar customer or risk losing the core of its “Primary Defence Partnership” to an assertive, unified and close European industrial base for defence.

We have a third actor: China. In the short term, India and the EU are operating under what international relations theorists call “asymmetric interdependence”³², a reality that requires a pragmatic acceptance of the Chinese giant's current economic influence. India, despite having a “security first” approach and a desire for strategic autonomy, continues to have critical sectors, such as electronics and pharmaceuticals, structurally tied to Chinese supply chains for over 60% of their composition³³. Similarly, the EU faces a “green constraint”, where its ambitious 2030 climate policies are virtually unachievable without continued access to Chinese lithium-ion batteries and solar panels³⁴. Rather than an abrupt, premature and destabilising dissociation that would trigger domestic economic crises, the EU-India FTA allows both sides to maintain a functional relationship with Beijing, while also consolidating their domestic positions. They view China's current industrial overcapacity with a relaxed outlook, recognising its influence as a temporary necessity, but quietly building alternative and reliable supply chains and corridors, such as the India-Middle East-Europe Economic Corridor, which could render this dependence obsolete.

This strategic patience also makes the FTA a long-term arrangement, set to last at least a decade, allowing both New Delhi and Brussels to “hide their capabilities and bide their time”³⁵ while systematically shifting the global manufacturing centre of gravity away from China. For India, the agreement offers a key opportunity by using tariff-free access to state-of-the-art European technological inputs to move its production-linked incentive programmes beyond simple assembly to the manufacture of high-value parts. Simultaneously, Brussels will be able to aggressively diversify its supply of critical minerals and refine its regulatory tools, ensuring that, when the time is right, it can

³² NEAGOŞ, R. A. “Asymmetric interdependence, power, and crisis in integrated systems”, *Online Journal Modelling the New Europe*, No. 40. 2022. Available at: <https://neweurope.centre.ubbcluj.ro/wp-content/uploads/2022/12/7.pdf> (accessed 9 February 2026).

³³ IAS Gyan. “To compete with China, India may need China”, *IAS Gyan – Daily Editorials*. 2026. Available at: <https://www.iasgyan.in/daily-editorials/to-compete-with-china-india-may-need-china> (accessed 9 February 2026).

³⁴ LING, Y. & CHUANXIN, X. *China and the EU's Green Transformation Policies and Pathways: A Comparison and Suggestions on Relevant Cooperation*. China-CEE Institute. 2024. Available at: <https://china-cee.eu/2024/08/22/china-and-the-eus-green-transformation-policies-and-pathways-a-comparison-and-suggestions-on-relevant-cooperation/> (accessed 9 February 2026).

³⁵ ““Hide your capabilities”: Deng Xiaoping notes”, *Never Lament Casually* (blog, 2019). Available at: <https://neverlamentcasually.wordpress.com/2019/10/03/hide-your-capabilities-deng-xiaoping-notes-3-10-2019/> (accessed 9 February 2026).

implement the Carbon Border Adjustment Mechanism and other rules without facing a China-dependent energy or existential supply crisis.

Conclusions

The India-EU FTA of 2026 is a key example of defensive realism, as two middle powers use deep economic integration as a safeguard against systemic rivalry between the United States and China. Rather than reducing tariffs, the pact creates a "rules-based sanctuary" that protects the strategic autonomy of both sides. India and the EU are not seeking an abrupt decoupling, but rather to quietly develop sovereign capabilities in key sectors such as semiconductors, green hydrogen and defence.

The agreement raises a central question about power in the 21st century: will the creation of a large democratic economic bloc lead to a stable multipolar order, or is it just a temporary strategy in the face of Washington and Beijing's technological dominance? In securing their future together, India and the EU argue that economic resilience is the new battleground of competition among world powers, and that self-reliance is not achieved through isolation, but through strong and diversified partnerships.

For its part, security and defence cooperation between India and European countries have become increasingly structural in recent years, combining consolidated bilateral relations with multilateral frameworks promoted by the EU. While the trade dimension has traditionally been the main focus of the Euro-Indian relationship, the growing centrality of the Indo-Pacific in global strategic competition and Europe's need to diversify security partners have given rise to an intensification of military, technological and industrial associations with New Delhi.

Thus, the trade deal is not strictly limited to the transfer of goods and services, but also incorporates clauses or instruments associated with strategic security cooperation. A partnership that is negotiated alongside, and is a complementary instrument very closely linked to, the FTA, since everything related to the security and resilience of routes, supply chains and supplies falls squarely within the objectives of any comprehensive national security strategy.

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