

India–EU FTA: Strategic Gains for CAPEXIL Sectors

The India–EU Free Trade Agreement (FTA) delivers a decisive commercial advantage to Indian exports in capital goods by securing preferential access to one of the world's most high-value markets. Through extensive tariff elimination at entry into force and other concessions, the agreement significantly improves price competitiveness for Indian exporters and strengthens India's position in labour-intensive and value-added manufacturing.

India–EU FTA- Key Gains for India *Values in USD Mn, 2024*

Broad products	Duty Range	EU imports from India	India's Global Exports	EU imports from world
Auto Tyres and Tubes	2.5%- 4.5%	1,020.89	3,085.97	36,569.11
Rubber Products	upto 6.5%	643.45	2,492.04	60,064.10
Plywood and Allied Products	upto 10%	575.89	1,906.95	54,721.53
Ceramics and Allied Products incl. Refractories Panel	upto 12%	460.19	2,920.35	16,670.33
Paints, Printing Ink & Allied Products Panel	upto 7.7%	390.03	3,371.01	54,491.22
Natural Stones & Products Panel	0% / 1.7%	332.06	1,813.15	4,691.82
Miscellaneous Products Panel	upto 6.5%	277.54	928.53	26,253.04
Paper, Paper Board and Products	0% / 2.7%	222.56	2,696.91	78,554.09
Glass and Glassware	upto 11%	197.11	806.21	23,922.06
Processed Minerals incl. Upgraded Ilmenite Ore Panel	upto 5.7%	125.92	2,016.08	10,171.08
Total of top 10 Products (Immediate zero duty– EIF)		4,245.64	22,037.19	3,66,108.39
Other Products (EIF)		290.54	9,599.82	98,233.36
Total EIF Products		4,536.19	31,637.01	4,64,341.75
Products under other categories (phased elimination, tariff reduction)		99.81	1,427.21	61,370.19
Total	0%- 12.8%	4,636.00	33,064.22	5,25,711.94

- Strengthened Export Opportunity**

- Products Pertaining to CAPEXIL, account for nearly USD 4.64 Bn in India's exports, with the top 10 product categories contributing over USD 4.24 Bn.
- Key sectors such as auto tyres and tubes, rubber products, plywood, ceramics, paints and printing inks, natural stones, paper and paperboard, glassware, and processed minerals demonstrate established export capability and consistent demand.

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- With tariffs earlier ranging up to 12.8%, their removal creates a direct and measurable gain in market access, enabling Indian exporters to expand volumes and improve margins in the EU market.
- **Tariff Concessions as an Immediate Competitiveness Boost**
 - A defining feature of the agreement is that a large proportion of CAPEXIL products benefit from duty elimination at entry into force, while the remaining lines are subject to other concessions. This ensures that exporters in sectors such as ceramics (up to 12%), glassware (up to 11%), plywood (up to 10%), rubber products (up to 6.5%) and paints and coatings (up to 7.7%) gain an immediate price advantage over competitors without preferential access.
- **Spillover Gains from EU Concessions**
 - Plastics - EU concessions in the plastics sector, largely through immediate duty elimination, further reinforce India's gains across CAPEXIL sectors. Plastics are critical inputs for products such as auto components, rubber goods, coatings, packaging, laminates, and industrial materials. Lower tariffs improve value-chain competitiveness, allowing Indian manufacturers to offer integrated, cost-efficient products to EU markets while deepening India's footprint in downstream manufacturing.
 - Rubber Products - With an established export base exceeding USD 643 Mn, Indian producers are well placed to convert preferential access into higher volumes and deeper commercial partnerships. Tariff removal delivers immediate edge improving price competitiveness for Indian rubber goods in the EU, supporting stronger market share in industrial and auto-linked applications.
 - Plywood and Allied Products - Preferential access with elimination of tariffs of up to 10% encourages greater focus on certified, sustainable, and design-oriented plywood products for premium segments and strengthens India's

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competitiveness in EU markets for furniture, interiors, and construction-grade panels. With exports already nearing USD 576 Mn, the sector is well positioned to realise immediate trade gains, particularly in high value items.

- Paper, Paperboard and Allied Products - In a price-sensitive categories such as packaging and specialty paper, tariff elimination enhances competitiveness. The trade agreement will provide better access for India's exports in recyclable, food-grade, and eco-friendly paper products.

• Employment and Industrial Impact

- The expansion of exports under the India–EU FTA is expected to generate substantial and geographically dispersed employment gains across CAPEXIL sectors. These industries particularly ceramics, plywood, rubber goods, glassware, natural stones, paper products, and auto-linked manufacturing are deeply embedded in MSME-driven cluster ecosystems across states such as Gujarat, Rajasthan, Uttar Pradesh, Tamil Nadu, Maharashtra, and Telangana. Enhanced EU demand will directly translate into new shop-floor jobs, while also stimulating indirect employment across transport, packaging, warehousing, testing, certification, and export services.
- Beyond job creation, the agreement will catalyse industrial deepening and formalisation. Firms will be encouraged to scale operations, invest in quality upgradation, compliance with EU standards, energy-efficient technologies, and skill development, thereby improving productivity and wage outcomes. Over time, this strengthens India's manufacturing base, promotes regional industrialisation, and positions CAPEXIL sectors as sustainable contributors to India's long-term export-led growth.