Indian Economy · GS - III

Examine the potential economic and strategic significance of the India-European Union Free Trade Agreement. What challenges must be addressed to ensure balanced and inclusive benefits from the agreement?

EXAM YEAR	PAPER	SUBJECT
DAILY PRACTICE 30/10/2026	GS - III	Indian Economy

MARKS	WORD LIMIT
10	~150 words

Answer Hint

Market access; export competitiveness; trade diversification; services sector; skilled mobility; investment flows; regulatory standards; domestic industries

Model Answer

Introduction

The proposed India-EU Free Trade Agreement represents an important step towards strengthening economic relations between India and the European Union. It aims to expand trade, investment and cooperation across sectors.

Potential Significance

- **Export growth:** Preferential market access can improve the competitiveness of Indian textiles, pharmaceuticals, engineering goods and other exports.
- **Services trade:** Improved access for IT, professional and business services can create opportunities for Indian service providers.
- **Investment:** Greater economic integration may encourage European investment in manufacturing, clean energy and technology.

- **Strategic diversification:** Stronger trade relations can reduce excessive dependence on a limited number of markets.
- **Challenges**
- Differences in environmental and labour standards, regulatory requirements, agricultural sensitivities and competition for domestic industries may complicate implementation.
- **Way Forward**
- India should strengthen export quality, support MSMEs, negotiate balanced safeguards and improve compliance with international standards.
- **Conclusion**
- A well-designed FTA can deepen India-EU economic engagement. Its success will depend on equitable market access, effective implementation and protection of vulnerable sectors.