

India-EU trade and financial flows

Bilateral agreements to help trade, connectivity; threat of Suez Canal transit and CBAM continues

JULY 2024





[Click to see full report](#)

The EU is the third largest trading partner for India. However, barring certain agri products, textiles and metals, India's share in the EU's trade is insignificant.

The GoI is working on bilateral agreements to improve trade, investment and connectivity.

ICRA has analysed the trade, financial flows and bilateral tie-ups between India and the European Union (EU). The EU is India's third largest trading partner, and India is dependent on it for imports of more than 75 product categories and it is a major export destination for more than 80 product categories for India. However, India does not account for a major part of the EU's overall trade flows (2% each for imports and exports). The Government of India (GoI) has entered into or is in negotiations with the bloc, for a number of bilateral agreements, to improve trade, investment and connectivity between countries.

In terms of financial flows, the EU contributes significantly to the overall pie of Foreign Direct Investment (FDI) equity inflows and Foreign Portfolio Investors – asset under custody (FPI AUC). However, the remittances from the EU are marginal.

India's corporate presence in the EU and vice versa is significant. Moreover, the threat from disruptions along the Suez Canal transit and Carbon Border Adjustment Mechanism (CBAM) continues.



Merchandise trade

- The EU's share in the total Indian merchandise imports stood at 8-10% in past decade. Imports from the EU are significant for India in sectors like agriculture, textiles, pharma, chemicals, and metals, and for select products like cork, beverages/spirits, arms and ammunition, etc. This dependency on the EU has made India vulnerable to supply chain disruptions and price fluctuations.
- The EU's share in India's total merchandise exports rose to 17% in FY2024 from 13% in FY2014. This was because petroleum products, electrical machineries, gas turbines, boilers, iron and steel, forming a major part of exports by value, grew by an average CAGR of ~10% in the last decade.
- Meanwhile, India's share stood at a mere 2% of the EU's total imports and exports. However, Indian trade is significant for the EU for certain agri products, textiles and metals.

The EU contributes significantly to the overall pie of FDI equity inflows and FPI.

India's corporate presence in the EU and vice versa is prominent.

Disruptions along the Suez Canal transit and CBAM taxes continue to pose threats to India-EU trade.



Services trade

- Bilateral trade between India and the EU grew at a CAGR of 11% since 2019, wherein imports increased at a CAGR of 16% and exports rose at a CAGR of 5%.
- Higher imports in 2023 resulted in negative trade balance, after a gap of eight years (2015 saw negative trade balance before 2023).

FDI, FPI and remittances

- The EU's share in FDI equity inflows to India is ~16%. Three EU nations, the Netherlands, Germany and Cyprus, hold ~11% share in the total FDI equity inflow.
- In terms of FPI, three EU countries, Luxemburg (7%), Ireland (6%) and France (3%), generate ~15% of the total (as of June 2024).
- The EU accounts for 4% of remittances to India and ~3% of India's migrant stock.

Bilateral agreements

- The EU is India's third largest trading partner, and the GoI has entered into or is in negotiations with the EU, for a number of bilateral agreements including Free Trade Agreement (FTA) to improve trade, investment and connectivity between countries.

Suez Canal and CBAM

- India is home to 6,000 European companies, providing 1.7 million direct jobs and 5 million indirect jobs across a broad range of sectors. Similarly, a few Indian conglomerates have either acquired European entities or entered joint ventures with them.
- Disruptions along the Suez Canal and CBAM taxes continue to pose threats to India-EU trade.



ICRA

Analytical Contact Details

Name	Designation	Email	Contact Number
Aditi Nayar	Chief Economist and Head – Research and Outreach	aditin@icraindia.com	0124 - 4545 385
Madhura Nejjur	Assistant Vice-President	madhura.nejjur@icraindia.com	022 - 6114 3417





ICRA

Business Development/Media Contact Details

Name	Designation	Email	Contact Number
L Shivakumar	Chief Business Officer	shivakumar@icraindia.com	022-61693304
Neha Agarwal	Head – Research Sales	neha.agarwal@icraindia.com	022-61693338
Rohit Gupta	Head Business Development – Infrastructure Sector	rohitg@icraindia.com	0124-4545340
Vivek Bhalla	Head Business Development – Financial Sector	vivek.bhalla@icraindia.com	022-61693372
Vinita Baid	Head Business Development – Corporate Sector - West & East	vinita.baid@icraindia.com	033-71501131
Shivam Bhatia	Head Business Development – Corporate Sector - North & South	shivam.bhatia@icraindia.com	0124-4545803
Naznin Prodhani	Head - Group Corporate Communications & Media Relations, ICRA Ltd	communications@icraindia.com	0124-4545860





© Copyright, 2024 ICRA Limited. All Rights Reserved.

All information contained herein has been obtained by ICRA from sources believed by it to be accurate and reliable. Although reasonable care has been taken to ensure that the information herein is true, such information is provided 'as is' without any warranty of any kind, and ICRA in particular, makes no representation or warranty, express or implied, as to the accuracy, timeliness or completeness of any such information. Also, ICRA or any of its group companies, while publishing or otherwise disseminating other reports may have presented data, analyses and/or opinions that may be inconsistent with the data, analyses and/or opinions in this publication. All information contained herein must be construed solely as statements of opinion, and ICRA shall not be liable for any losses incurred by users from any use of this publication or its contents.



ICRA

Thank You!