

ECONOMIQUITY

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India-EU FTA: A Strategic Trade Milestone

The second fortnight of 2026 highlights how deeply geopolitics, security concerns and strategic rivalry now shape global trade. Warnings by Director-General Ngozi Okonjo-Iweala over tariff threats linked to Greenland illustrate how trade disputes are being driven by strategic resources and security calculations rather than economic logic. At the same time, calls for China to play a greater role in WTO reform reflect a fragile balance: the multilateral system has endured recent shocks, but its future depends on whether major powers can modernise rules without undermining consensus-based governance.

These tensions are sharpening ahead of WTO MC14. India's opposition to incorporating plurilateral agreements such as the Investment Facilitation Agreement without full consensus points to a deeper disagreement over the WTO's trajectory. While supporters see plurilateral as pragmatic responses to stalled negotiations, India views them as a risk to developing-country leverage and issue-linkages. Similar divisions are evident in agriculture, where India's push for a standalone cotton outcome clash with the US and EU preference for embedding it within broader reform.

Outside Geneva, trade policy is increasingly deployed as statecraft. India is shifting from bloc-based integration to a corridor-driven network of FTAs, prioritising flexibility, supply-chain control and enforceable rules. Europe's internal struggle over the Mercosur agreement, China's launch of the Hainan Free Trade Port, and Asia-Pacific's turn toward services, digital trade and mini-FTAs all signal a world of competing trade architectures shaped by geopolitical risk.

For India, these global shifts carry immediate consequences. The India-EU FTA is emerging as both an economic and geopolitical hedge, with potential to absorb export diversion from US tariff pressure. Yet the suspension of EU GSP benefits and the rollout of the Carbon Border Adjustment Mechanism underline that future market access will hinge less on preferences and more on standards, compliance and institutional capacity. Trade in 2026, then, is no longer about liberalisation alone. It is about strategic positioning in a fragmented global order and India's ability to balance flexibility, development priorities and long-term competitiveness.


We are pleased to share that CUTS is curating a compilation of op-ed pieces in *The Economic Times* under a "Trade-Off" column, covering select priority trade policy topics. These pieces, which are being published by trade and policy experts over the past few months, are intended to generate actionable and implementable insights for the Government of India to bolster India's trade policy, enhance competitiveness, and navigate the ongoing turbulence in global trade. The [first story in the National Trade section](#) is this edition's *Trade-Off* story, which urges India to play a constructive role at the WTO, advancing even a limited multilateral agenda to protect its strategic interests.

International Trade

1.	<p><i>WTO chief warns Greenland could lead to trade war, but what can the US gain from the island?</i></p> <p>Jerusalem Post</p> <p>January 21, 2026</p>	<p>WTO Director-General Ngozi Okonjo-Iweala warned against escalation after Donald Trump threatened tariffs on European countries to pressure US control of Greenland.</p> <p>The dispute is tied to Greenland's strategic security value and rare-earth reserves, but mining faces major environmental, legal, infrastructure and investment hurdles despite global interest and geopolitical tensions rising.</p>
2.	<p><i>China can play crucial role in advancing reform of multilateral trading system: WTO chief</i></p> <p>Bastille Post, China</p> <p>January 22, 2026</p>	<p>WTO Director-General Ngozi Okonjo-Iweala said the global trading system has withstood recent shocks but now requires urgent reform to strengthen its foundations. Speaking at Davos, she highlighted China's key role in supporting WTO reforms, praising its withdrawal from special and differential treatment and its constructive engagement in multilateral trade.</p>
3.	<p><i>World Investment Forum 2026 to be held in Doha</i></p> <p>UNCTAD</p> <p>January 21, 2026</p>	<p>The State of Qatar and UNCTAD announced that the 9th World Investment Forum will be held in Doha from 25–27 October 2026. Revealed at Davos, WIF 2026 will focus on long-term investment, resilience and sustainable development, convening global leaders, policymakers and investors to translate dialogue into action.</p>
4.	<p><i>Breakdown of multilateralism?</i></p> <p>Financial Express</p> <p>January 22, 2026</p>	<p>With WTO MC14 approaching, India faces pressure for opposing the Investment Facilitation Agreement (IFA) as a plurilateral accord. India argues that allowing IFA into the WTO without full consensus would weaken the multilateral, consensus-based system and shift negotiations toward power-imbalanced plurilateral favouring developed countries. India fears this would erode developing countries' bargaining leverage, limit issue linkages, and marginalise their priorities. While proponents - led by China and supported by many developed countries - see IFA as easing investment flows, India views it as a systemic threat that could redefine WTO negotiations and undermine multilateralism unless strict guardrails are established.</p>
5.	<p><i>WTO cotton clash: India seeks standalone deal, while US and EU push for broader reform</i></p> <p>Mint</p> <p>January 25, 2026</p>	<p>India supported a balanced WTO outcome on cotton, stressing that domestic support, market access and development assistance must be addressed together, while noting it already provides duty-free access to cotton imports from least-developed countries. The US and EU, however, said cotton should be resolved only within a broader agricultural reform package.</p>

Regional Trade		
1.	<i>The return of trade policy as an instrument of statecraft</i> Indian Express January 26, 2026	India is recalibrating its Indo-Pacific trade strategy from bloc-based integration to a corridor-driven network of FTAs, prioritising flexibility amid geopolitical uncertainty. Post-RCEP, it is leveraging targeted agreements with ASEAN, Europe, Oceania, and West Asia to manage deficits, tighten rules, and upgrade supply chains, shifting trade policy from tariff liberalisation toward enforceable, operational regional integration.
2.	<i>US secy Scott Bessent ballistic over EU's trade deal with India, says 'financing war against themselves' via Russian oil</i> Hindustan Times January 27, 2026	Escalating US tariffs on India over Russian oil have accelerated regional trade realignments. Even as Washington pressures New Delhi, India and the EU have finalised an FTA, while Canada is pivoting toward India through a proposed CEPA. These shifts reflect a broader move by middle powers to diversify trade ties and hedge against US tariff volatility.
3.	<i>China's Hainan Free Trade Port reshapes regional trade dynamics, Economic Survey warns</i> FP Business Desk January 29, 2026	China's operationalisation of the Hainan Free Trade Port marks a significant regional trade shift , creating a low-tariff, services-led hub in Asia. While not an immediate shock for India, it could gradually reshape supply chains, investment flows, and logistics in the Indo-Pacific, underscoring intensifying competition among regional trade architectures amid growing geopolitical and economic uncertainty.
4.	<i>Trump's army of farmers</i> Euractiv January 20, 2026	The EU–Mercosur trade agreement faces mounting political resistance despite its strategic value for Europe's regional trade diversification. While economically favourable to the EU, the pact risks derailment from domestic farm lobbies and potential US intervention aimed at limiting EU influence in Latin America. Its fate will test Europe's capacity to assert geopolitical and trade autonomy.
5.	<i>Trade momentum slows as the Asia-Pacific region adjusts to shifting global conditions</i> ESCAP January 28, 2026	Asia-Pacific remained the core hub of global trade and investment in 2025, driven by tariff anticipation, digital services growth, and dense trade agreements. While merchandise trade slowed and FDI became more selective, services, digital trade rules, and intra-regional integration deepened. Rising geopolitical risks are accelerating supply-chain diversification, mini-FTAs, and innovation-led regional trade strategies.

National Trade

1.	<p><i>India at the WTO: Why blocking plurilateral deals risks isolation in a fractured trade order</i></p> <p>The Economic Times</p>  <p>January 19, 2026</p>	<p>India's rigid stance at the WTO is hindering progress, alienating allies, and impacting its export aspirations. While pursuing bilateral FTAs, India opposes plurilateral agreements, even those open to all members. A more accommodative approach is needed to advance its interests and foster a balanced WTO system.</p>
2.	<p><i>India-EU trade agreement: Its success will be determined by the harder part that comes next</i></p> <p>Livemint</p> <p>January 28, 2026</p>	<p>The India-EU FTA's significance will hinge less on its announcement than on execution. Beyond tariff cuts, success depends on regulatory alignment, standards infrastructure, and effective dispute management. If firms and regulators can translate legal commitments into smoother compliance, faster clearances and real market access, the pact could drive durable integration; if not, it risks underperforming its promise.</p>
3.	<p><i>EU GSP suspension likely to hit India exports: GTRI</i></p> <p>ET Online</p> <p>January 22, 2026</p>	<p>India faces a significant setback in the European Union market from January 1, 2026. The EU has suspended Generalised Scheme of Preferences benefits for 87 percent of Indian exports. This move will lead to higher import tariffs on goods like textiles. The suspension coincides with the EU's Carbon Border Adjustment Mechanism.</p>
4.	<p><i>Indians leaving India, none returning: Economist Sanjaya Baru at Hyderabad Literary Festival 2026</i></p> <p>The News Minute</p> <p>January 28, 2026</p>	<p>Economists Sanjaya Baru and Karthik Muralidharan argued that India's post-liberalisation elite migration reflects a collective economic failure. While migration surged after visa liberalisation, evidence of large-scale return or reinvestment remains limited. Muralidharan noted that only genuine "brain circulation" benefits India, but such outcomes are currently rare.</p>
5.	<p><i>Indo-EU trade deal: Exports of \$11 bn can shift from the US to the EU, says report</i></p> <p>MSN</p> <p>January 25, 2026</p>	<p>The proposed India–EU FTA could help India offset US tariff pressure by redirecting exports toward Europe, its largest trading partner. With scope to shift export-heavy sectors like textiles, electronics, and chemicals, the deal may deepen regional trade integration, diversify markets, reduce tariff asymmetries, and strengthen EU investment ties in India.</p>