


Key demands for the negotiations for an EU-India Free Trade Agreement

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Introduction

With an increase in exports to almost 4.3 billion euros in 2024, India still ranks 14th among the buyer countries for machinery and equipment from Germany. This ranks India's export market as the second most important market in Asia and shows what an important partner this south Asian country already is for our sector. For European manufacturers, companies from China, Japan and South Korea are the main competitors in the mechanical engineering sector in India. Furthermore, our member companies import many parts, components and raw materials from India. In this respect, an EU-India FTA would improve the competitiveness of our industry in India and at the same time further open-up the EU market for Indian manufacturing companies and service providers.

Below you will be able to find VDMA's key demands for the negotiations between the EU and India on a Free Trade Agreement.

Key demands for the negotiations between the EU and India on a FTA

- **The elimination of tariffs**

The tariffs for the machinery sector are 7.5% on average, which are one of the highest in the world and which should be eliminated as soon as possible. VDMA is also strongly against a so-called "exclusion list", which completely excludes certain goods from tariff liberalisation and which was proposed by India. This is in our view incompatible since an FTA is intended to eliminate all tariffs.

Other duties, levies and taxes from the Indian authorities should also be eliminated.

- **The establishment of modern Rules of Origin**

The Rules of Origin of the FTA must be in line with other EU Free Trade Agreements, which enables our member companies to benefit from the EU-India FTA. In the case of mechanical engineering products, we support a maximum permissible proportion of non-EU originating material of 50% or of 45% of the ex-works price¹. Alternatively, the change-of-tariff heading-rule² can be supported by VDMA.

- **The abolishment of Technical Barriers to Trade**

VDMA supports bilateral talks in this area to prepare for any issue that may arise and to establish a platform for dealing with them. As the Indian market is expected to become more liberalized, it is becoming increasingly important for European industry to establish a local network with which it can negotiate internationally with the Indian side at the appropriate time. The aim must be to enshrine international ISO, IEC and ITU standards in an agreement.

But VDMA has raised concerns about the extension of the BIS product certification scheme, a mandatory third-party certification process. The new Indian Machinery and Electrical Equipment Safety (Omnibus Technical Regulation) Order 2024 sets out this extension and covers different types of machinery and low-voltage components. The Regulation imposes a general obligation for all such equipment to be registered in a database before it can be imported into India.

VDMA opposes this proposed regulation. We are concerned about the additional bureaucracy and administrative burden of having to enter individual machines and plants into the database for export. This would also involve the unnecessary duplication of testing for components that have already been pre-tested in Europe under the

¹ Ex-works price refers to the value of all the materials used and all other costs related to its production, minus any internal taxes.

² This means that a finished product will obtain originating product status if the third-country materials used in the production of the finished product have a different position in the Customs Tariff from the finished product.

manufacturer's self-declaration and CE marking. Furthermore, there is the issue of an uncontrolled and unwanted outflow of relevant machine and component data.

The planned implementation timeline for compliance has been extended due to capacity issues at recognized testing and certification bodies in India. These bottlenecks were anticipated because of the expansion to additional products. This was previously the case with electric motors. In the meantime, the effective date has been postponed by one year to 1 September 2026 (originally the end of August 2025). This change affects the timeline for the mandatory certification and regulatory compliance of machinery and electrical products.

- **The establishment of access to the public procurement market**

On five occasions over the past ten years, India has implemented rules that direct domestic purchases of mechanical engineering products to local producers.

Consequently, public procurement at every Governmental level in India should be covered in these negotiations.

- **The laying-down of a level-playing field in subsidies**

Between a fifth and a quarter of German exports compete against subsidized local firms in India. Subsidies should, therefore, also be addressed by the EU and India in this Free Trade Agreement.

- **The protection of intellectual property rights**

Our member companies complain about the extremely slow procedures for trademark applications in India. The same is also true for court proceedings and enforcement procedures of intellectual property rights in India. Therefore, we would also welcome a robust chapter on the protection of intellectual property rights.

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