SIMULATION

Modelling the potential trade effects of the EU–India Free Trade Agreement

June 2026

Summary

This analysis simulates how the EU–India Free Trade Agreement (FTA) could affect trade flows, sectoral trade, and value-chain integration between Sweden, the European Union (EU), and India using the OECD global trade model METRO. While the agreement was politically concluded in January 2026, detailed tariff schedules and final legal provisions are not yet publicly available. The simulations should therefore be interpreted as stylised representations of possible liberalisation outcomes rather than of the final agreement.

Two scenarios are analysed: *a moderate liberalisation scenario* and *an ambitious liberalisation scenario*. Both include bilateral tariff reductions on trade in goods as well as reductions in trade costs in selected service sectors between the EU and India. In services, reductions in trade costs are used as stylised proxies for lower regulatory and market-access barriers.

Under the liberalisation scenarios analysed, bilateral trade between India and both Sweden and the EU is estimated to increase relative to the reference scenario, with stronger effects under the ambitious scenario. Swedish exports to India are estimated to increase by around 21–26 per cent and imports from India by around 13–17 per cent. For the EU, exports to India increase by around 17–21 per cent and imports by around 10–13 per cent. Export increases to India are generally larger than import increases from India, partly reflecting India's comparatively high initial tariff levels and the resulting larger reductions in trade barriers on the Indian side.

For Sweden, export gains are concentrated in manufacturing, particularly motor vehicles, metals, and machinery and electrical equipment. These sectors benefit especially from lower Indian tariffs on industrial goods. Swedish imports from India increase mainly in textiles and clothing, as well as in selected service sectors, reflecting India's comparative strengths in labour-intensive manufacturing and services trade. For the EU as a whole, export gains are distributed across a broader range of sectors, including food products and industrial goods.

The value-added analysis highlights how liberalisation may strengthen production linkages between Sweden and India beyond direct trade flows. Swedish value added embodied in Indian exports increases particularly in Swedish manufacturing sectors such as motor vehicles, chemicals, and machinery, while Indian value added embodied in Swedish exports increases mainly in Indian textiles and clothing and selected service sectors. Rather than measuring direct bilateral trade flows, the analysis captures how value added from one economy is embodied in the export production of another through global value chains.

The results should be interpreted with caution. The simulations reflect medium-term equilibrium effects around 5–7 years after the assumed liberalisation scenarios enter into force and do not capture short-term adjustment costs, implementation uncertainties, recent trade policy developments, or future geopolitical changes affecting global trade conditions. As more detailed information on the agreement becomes available, future analysis may assess its effects in greater detail.

Table of contents

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1 Introduction

In January 2026, after nearly two decades of intermittent negotiations, the European Union (EU) and India concluded negotiations on a comprehensive Free Trade Agreement (FTA), marking a significant step in bilateral trade relations.[1] The agreement aims to reduce barriers to trade in goods and services, deepen economic integration, and strengthen long-term commercial ties between the parties. With a population of almost 1.5 billion and projected annual GDP growth of more than 6 per cent, India is one of the world's largest and fastest-growing major economies.[2] Given the size of both economies and the broad scope of the proposed agreement, the FTA may have important implications for trade flows, production patterns, and global value chains.

Although negotiations have been concluded at the political level, the agreement remains subject to legal review, translation, and ratification before entering into force. Implementation is expected to begin in 2027 and proceed over several years, with tariff reductions phased in gradually. While many tariffs may be eliminated upon entry into force or after staging periods of 5–7 years, some sectors are likely to remain partially protected for longer.[3]

This analysis evaluates the potential trade and value-chain effects of the agreement under two alternative implementation scenarios: *a moderate liberalisation scenario* and *an ambitious liberalisation scenario*. Together, the scenarios illustrate how different degrees of liberalisation may influence trade flows, sectoral outcomes, and broader economic adjustment. As detailed tariff schedules are not yet publicly available, the scenarios should be interpreted as stylised representations of possible liberalisation outcomes rather than precise representations of the final agreement.

The simulations are conducted using the OECD global trade model METRO, a computable general equilibrium (CGE) model designed for trade policy analysis. The results illustrate how changes in tariffs and trade costs may affect trade flows and global value chains across sectors and regions.[4]

The results reflect a medium-term equilibrium corresponding to approximately 5–7 years after the simulated liberalisation scenarios are implemented. The analysis therefore captures structural adjustment rather than short-term dynamics. A stylised baseline reflecting global trade conditions prior to many recent trade policy developments is used.[5]

Further details on the modelling framework are provided in Appendix A.

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1 European Commission (2026), *EU and India conclude landmark Free Trade Agreement*, European Commission Press Release.

2 International Monetary Fund (2026), *India – Country Page*.

3 European Commission (2026), *EU–India Free Trade Agreement – Chapter-by-Chapter Summary*.

4 OECD (2023), *METRO version 4 documentation*, Trade and Agriculture Directorate.

5 See, for example, European Commission (2025), C*ommission Implementing Regulation (EU) 2025/612 on safeguard measures on imports of certain steel products*; UNCTAD (2026), *Tariff dashboard – tracking the evolution of US tariffs*; UNCTAD (2026), *Global Trade Update: Top trends redefining global trade in 2026*.

2 Trade relations

This section presents existing trade patterns, value-chain integration, and bilateral tariff structures between the EU, Sweden, and India to provide context for the simulation results.

2.1 Bilateral trade patterns

Trade relations between the EU and India have expanded considerably over the past decade. In 2025, bilateral trade in goods amounted to approximately €118 billion, an increase of almost 84 per cent compared with a decade earlier. In the same year, the EU was India's third-largest trading partner, accounting for around 11 per cent of India's total goods trade, while India accounted for around 2 per cent of total EU goods trade. This highlights, that the EU is a comparatively more important trading partner for India than vice versa.[6]

EU imports from India consist mainly of chemicals, machinery and electrical equipment, mineral products, textiles and clothing, and metals, while EU exports to India are concentrated in machinery and electrical equipment, transport equipment, optical and medical instruments, and chemicals. EU service exports to India amounted to approximately €29 billion in 2024, while imports from India totalled around €38 billion.[7] In addition, more than 6,000 European companies, including around 290 Swedish firms, operate in India.[8]

Sweden's trade relationship with India remains relatively limited. In 2025, India was Sweden's nineteenth-largest goods export market and twenty-fourth-largest goods import partner. Swedish goods exports to India amounted to approximately €2 billion in 2025, corresponding to around 1.1 per cent of total Swedish goods exports, while Swedish goods imports from India totalled approximately €1.3 billion, corresponding to around 0.7 per cent of total Swedish goods imports.[9]

Swedish exports to India are concentrated primarily in manufacturing, particularly machinery and electrical equipment, chemicals, metals, and transport equipment. Imports from India are more diversified but are concentrated in machinery and electrical equipment, textiles and clothing, chemicals, and transport equipment.[10]

2.1.1 Sweden–India value-added trade linkages

TiVA data on domestic value added[11] embodied in gross exports show existing value-chain linkages between Sweden and India prior to the simulated liberalisation

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6 European Commission (2026), *EU trade relations with India*.

7 Ibid.

8 Ibid.; Business Sweden (2026), *India.*

9 Statistics Sweden (2026), *Trade in goods between Sweden and India*, 2025 [Data set]; Exchange rate conversion based on the Sveriges Riksbank annual average exchange rate for 2025.

10 Statistics Sweden (2026), *Trade in goods between Sweden and India*, 2025 [Data set].

11 Value added refers to the value created at each stage of production and is defined as output minus the value of intermediate goods and services used in production. In TiVA analysis, value-added measures are used to examine how production and trade linkages between countries and sectors are connected through global value chains.

scenarios. In 2022, approximately 1.3 per cent of Swedish domestic value added embodied in gross exports was linked to India, while around 0.9 per cent of Indian domestic value added embodied in gross exports was linked to Sweden.[12]

Swedish value added embodied in exports to India is concentrated primarily in business services and manufacturing, particularly information and communication services, chemicals, metals, machinery, and motor vehicles. Indian value added embodied in exports to Sweden is strongly concentrated in business services and information-related activities, especially computer programming and other digital and information services, while manufacturing sectors such as electronics, textiles and clothing, chemicals, and machinery also account for important shares.[13]

2.2 Tariff levels

Table 1 presents trade-weighted bilateral tariff levels[14] by broad product category applied in bilateral trade between the EU and India. Tariff levels in India are substantially higher than in the EU, particularly in agriculture, where average tariff levels exceed 30 per cent. This asymmetry in bilateral tariff levels is an important driver of the larger simulated export increases from the EU presented later in the analysis.

Table 1. Trade-weighted average applied tariff levels between the EU and India

Trade-weighted bilateral tariff levels by product category in per cent

Broad product categories	EU	India
	Trade-weighted tariff in %	*Trade-weighted tariff in %*
All products	2.7	10.1
Agricultural products	3.9	32.4
Non-agricultural products	2.6	9.4

Source: WTO, *Bilateral trade relations: European Union – India*. WTO Tariff and Trade Data Portal.

Note: Trade-weighted average bilateral tariff levels applied by the EU and India to imports from each other across broad product categories.

Looking at specific sectors, tariff levels in India remain comparatively high in several sectors of export interest to the EU, illustrating the potential importance of tariff liberalisation under the agreement. For example, tariffs on chemicals currently reach up to 22 per cent, while tariffs on olive oil reach up to 45 per cent. Tariffs on non-alcoholic beverages can reach up to 55 per cent, while some processed food products face tariffs of around 33 per cent. Particularly high tariff levels are observed for alcoholic beverages, where tariffs may reach up to 150 per cent.[15]

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12 OECD (2025), *Trade in Value Added (TiVA) 2025 edition: Principal Indicators, levels.* "Domestic value added in gross exports", OECD Data Explorer.

13 Ibid.

14 Trade-weighted tariff refers to the average tariff level weighted by the trade value. The measure therefore accounts for the fact that some goods represent a larger share of trade than others.

15 European Commission (2026), *EU–India Free Trade Agreement – Chapter-by-Chapter Summary*.

3 Simulated scenarios

The analysis considers two alternative scenarios reflecting different degrees of liberalisation under an EU–India FTA: *a moderate liberalisation scenario* and *an ambitious liberalisation scenario*.

Both scenarios include bilateral tariff reductions on trade in goods as well as reductions in trade costs in selected service sectors between the EU and India. In services, lower trade barriers are modelled as reductions in trade costs and should be interpreted as stylised representations of lower regulatory and market-access barriers. In goods trade, the simulations include only tariff reductions and do not explicitly capture other potential effects of the agreement, such as lower administrative barriers, reduced customs frictions, or regulatory cooperation.

As detailed product-level tariff schedules are not yet publicly available, the scenarios are constructed as stylised representations of possible liberalisation outcomes based on publicly available information from the European Commission on the provisions of the agreement, as well as other simulations of its potential effects.[16]

The two scenarios are not intended to represent upper and lower bounds for the potential effects of the agreement. Rather, they reflect two stylised scenarios capturing different but plausible degrees of trade liberalisation. The actual effects of the agreement may therefore differ from those simulated in this analysis.

Tariff reductions are implemented proportionally to initial tariff levels and vary across sectors depending on sectoral sensitivities, existing levels of protection, and the expected scope of liberalisation. The scenarios should therefore be interpreted as stylised representations of possible liberalisation outcomes rather than precise representations of the future agreement.

- **The moderate liberalisation scenario** reflects a broad but more limited liberalisation outcome. Tariff reductions remain partial in sensitive sectors such as agriculture, food products, and motor vehicles, while industrial sectors are liberalised more substantially. Reductions in trade costs in services are differentiated across sectors, with somewhat larger reductions assumed in financial and business services than in transport and other service sectors.
- **The ambitious liberalisation scenario** reflects a broader and deeper reduction in trade barriers across goods and selected service sectors. Tariff reductions are more extensive across industrial sectors, with reductions in several sectors approaching full liberalisation. Liberalisation is also deeper in sensitive sectors such as agriculture, food products, and motor vehicles, although these sectors remain only partially liberalised compared with most industrial goods sectors. Reductions in trade costs in services are larger than in the moderate Scenario, particularly in financial and business services.

A detailed specification of the tariff and trade cost assumptions is provided in Appendix B.

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[16] European Commission (2026), *EU–India Free Trade Agreement – Chapter-by-Chapter Summary*; Hinz, J., Langhammer, R., Mahlkow, H. and Thakur, V. (2026), *The EU–India Trade Deal: Strategic Diversification in an Era of Uncertainty*, Kiel Policy Brief, January 2026.

4 Simulation results

Figure 1 presents simulated percentage changes in bilateral trade flows between India and both Sweden and the EU under the two EU–India FTA scenarios. The yellow bars represent the moderate scenario and the blue bars the ambitious scenario. The percentage changes should be interpreted relative to the reference scenario without the agreement and therefore reflect the estimated effects of the EU–India FTA beyond underlying economic growth and trade developments.

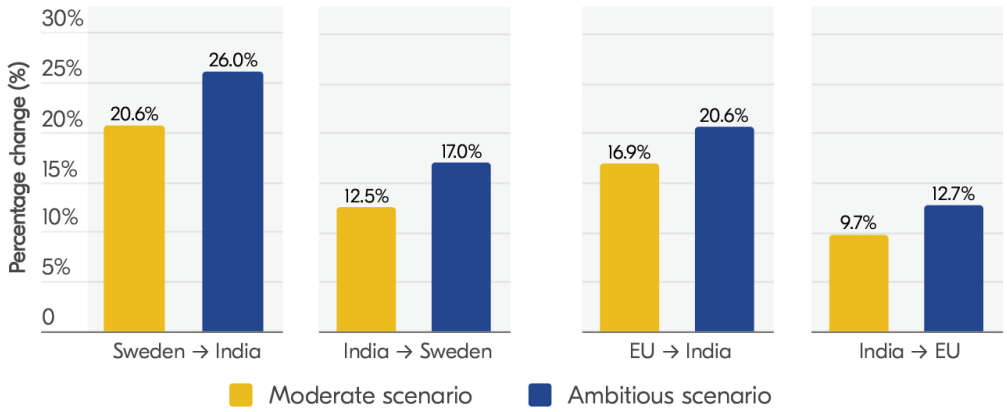
The increase in Swedish exports to India is larger than the corresponding increase for the EU as a whole. Under the ambitious scenario, Swedish exports to India increase by 26 per cent, compared with 21 per cent for the EU aggregate. This partly reflects Sweden's export structure being relatively concentrated in sectors where liberalisation high.

Swedish imports from India increase by 17 per cent, and for the EU by 13 per cent. The fact that export increases from Sweden and the EU to India are larger than the corresponding increases in imports from India partly reflects the asymmetry in initial tariff levels between India and the EU, implying larger absolute reductions in trade barriers on the Indian side as tariffs are reduced proportionally.

Taken together, the simulations point to stronger bilateral trade integration between India and both Sweden and the EU under the simulated scenarios. Trade effects are consistently larger under the ambitious scenario, reflecting deeper reductions in tariffs and trade costs.

Figure 1. Changes in bilateral trade flows

Percentage change relative to reference scenario



Source: The National Board of Trade Sweden's simulations using the OECD METRO model.

Note: The figure shows simulated percentage changes relative to the reference scenario in the new medium-term equilibrium.

4.1 Key sectoral changes in bilateral trade flows

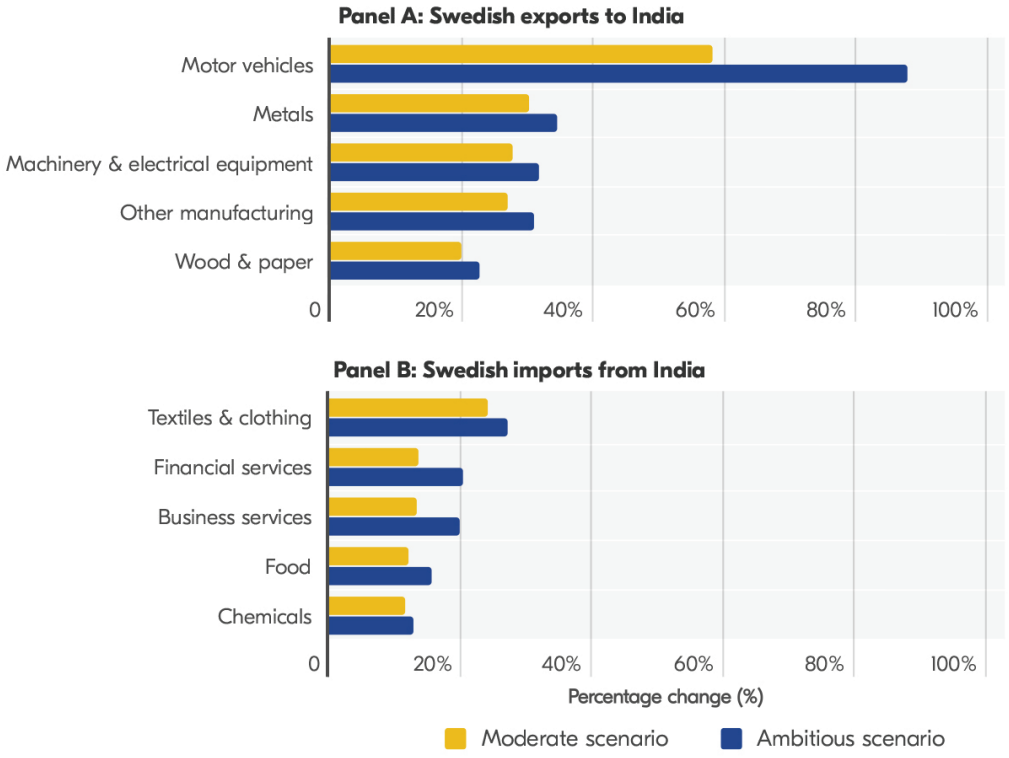
Figure 2 presents selected sectors with the largest and most economically significant percentage changes in bilateral trade flows between Sweden and India under the EU–India FTA scenarios.

Panel A shows that Swedish export gains are concentrated in manufacturing. The largest relative increases are observed in motor vehicles, where exports to India increase by around 88 per cent under the ambitious scenario. Substantial increases are also observed in metals, machinery and electrical equipment, other manufacturing, and wood and paper. These sectors benefit particularly from substantial reductions in Indian tariffs on industrial goods, where initial tariff levels are comparatively high. More broadly, the results illustrate how deeper liberalisation may increase the use of Swedish industrial value added embodied in Indian export production.

Panel B shows that imports from India to Sweden increase primarily in textiles and clothing products, as well as financial services, business services, and food products. Compared with the export results in Panel A, the import increases are more moderate and concentrated in sectors where India has relatively strong comparative advantages, particularly labour-intensive manufacturing and selected service sectors.

Figure 2. Key sectoral changes in bilateral trade between Sweden and India

Percentage change relative to reference scenario



Source: The National Board of Trade Sweden's simulations using the OECD METRO model.

Note: The figure shows simulated percentage changes in selected sectors relative to the reference scenario in the new medium-term equilibrium. Sector selection is based on both the relative change in trade flows and the economic significance of the sectors in bilateral trade.

Figure 3 presents selected sectors with the largest and most economically significant percentage changes in bilateral trade flows between the EU and India under the EU–India FTA scenarios.

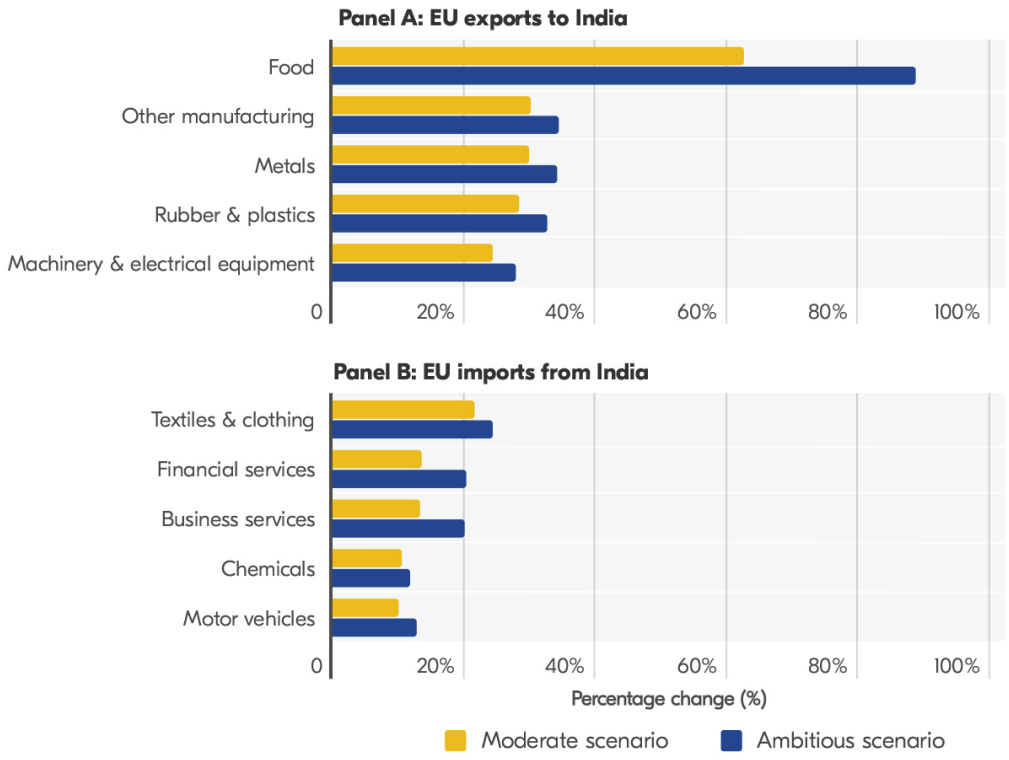
As shown in Panel A, EU exports to India increase particularly in manufacturing and food-related sectors. The largest relative increases are observed in food products,

including beverages and other consumer-oriented food products, where exports increase by close to 90 per cent under the ambitious scenario. The larger increase under the ambitious scenario reflects the deeper tariff reductions assumed. Substantial increases are also observed in manufacturing sectors such as other manufacturing, metals, rubber and plastics, and machinery and electrical equipment.

Panel B highlights that imports from India to the EU increase primarily in textiles and clothing products, as well as in financial and business services. Imports of motor vehicles and chemical products also increase under both scenarios. As in the Swedish case, the import increases are more moderate than the export increases and concentrated in sectors where India has relatively strong comparative advantages.

For both Sweden and the EU, trade effects are consistently larger under the ambitious scenario, reflecting broader and deeper liberalisation across both goods and services trade.

Figure 3. Key sectoral changes in bilateral trade between the EU and India
Percentage change relative to reference scenario



Source: The National Board of Trade Sweden's simulations using the OECD METRO model.

Note: The figure shows simulated percentage changes in selected sectors relative to the reference scenario in the new medium-term equilibrium. Sector selection is based on both the relative change in trade flows and the economic significance of the sectors in bilateral trade.

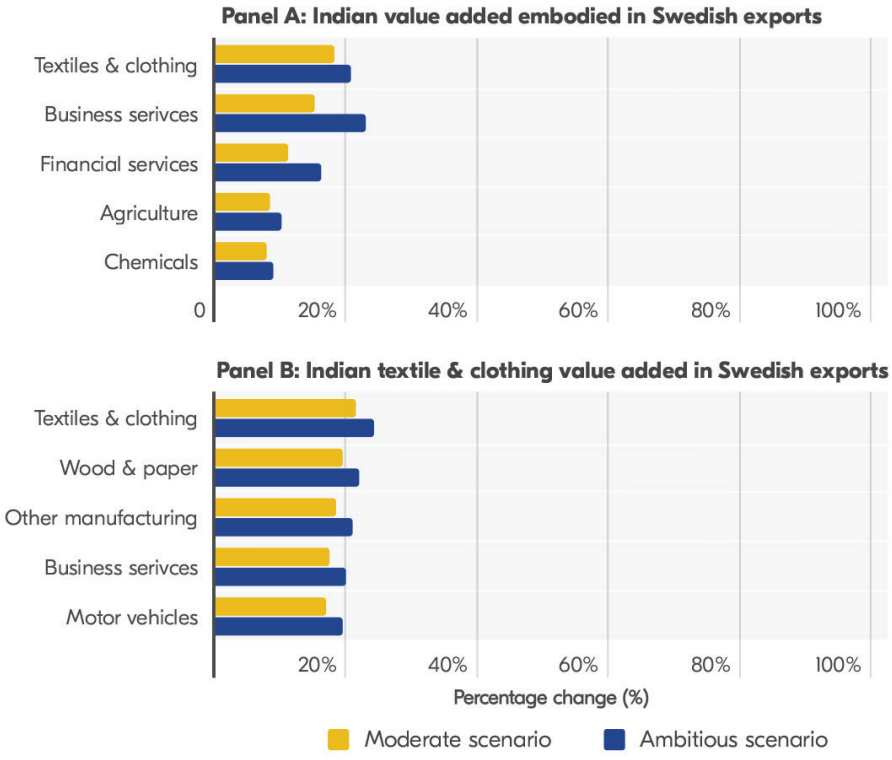
4.2 Key changes in value-added trade flows

Figure 4 presents selected percentage changes in Indian value added embodied in Swedish exports under the two scenarios, where sector selection reflects both the relative changes in value-added trade flows and the economic significance of the sectors.

Rather than measuring direct Indian exports to Sweden, the figure captures how Indian value added is embodied in Swedish exports through global value chains. Indian intermediate goods and services may, for example, be embodied in production processes involving third countries before being incorporated into Swedish production that ultimately contributes to Swedish exports. The results therefore illustrate how the agreement could strengthen India's role in Swedish and global value chains.

Figure 4. Key sectoral changes in Indian value added embodied in Swedish exports

Percentage change relative to reference scenario



Source: The National Board of Trade Sweden's simulations using the OECD METRO model.

Note: The figure shows percentage changes relative to the reference scenario in Indian value added embodied in Swedish exports in the new medium-term equilibrium. Sector selection is based on the relative changes in value-added trade flows and the economic significance of the sectors.

Panel A shows relatively strong increases in Indian value added embodied in Swedish exports across several sectors. Under the moderate scenario, the largest increase is observed in textiles and clothing, at around 18 per cent. Under the ambitious scenario, however, business services record the largest increase, at around 23 per cent, reflecting the larger reductions in assumed services trade costs and the stronger integration of Indian service inputs into Swedish export production. Financial services

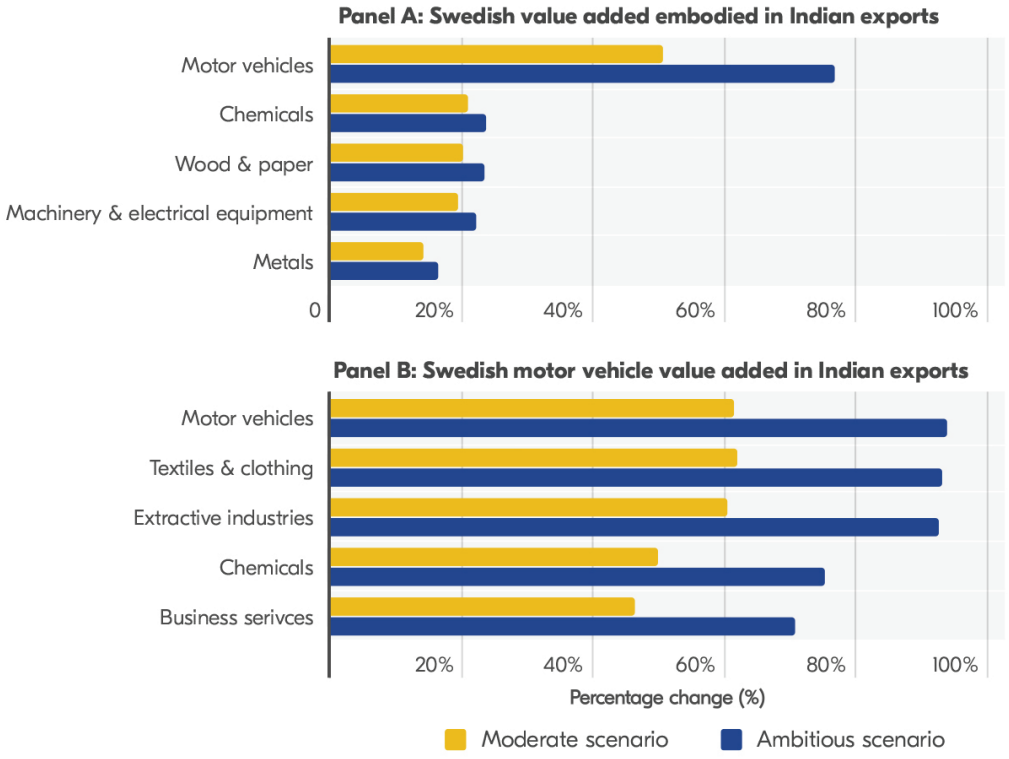
also record notable increases. The results illustrate how lower tariffs and trade costs could strengthen India's role in Swedish export-oriented value chains.

Panel B takes a closer look at Indian textile and clothing value added embodied in Swedish exports and shows in which Swedish export sectors this value added is used. While the largest increases are observed within Swedish textile and clothing exports, notable increases are also visible in wood and paper, other manufacturing, business services[17], and motor vehicles. This illustrates how Indian value added becomes embodied in a broader range of Swedish export industries following trade liberalisation.

Figure 5 presents selected percentage changes in Swedish value added embodied in Indian exports under the two scenarios.

Figure 5. Key sectoral changes in Swedish value added embodied in Indian exports

Percentage change relative to reference scenario



Source: The National Board of Trade Sweden's simulations using the OECD METRO model.

Note: The figure shows percentage changes relative to the reference scenario in Swedish value added embodied in Indian exports in the new medium-term equilibrium. Sector selection is based on the relative changes in value-added trade flows and the economic significance of the sectors.

In Panel A, the largest increases are observed in motor vehicles, where Swedish value added embodied in Indian exports increases by around 51 per cent under the moderate scenario and close to 77 per cent under the ambitious scenario. Relatively strong increases are also observed in chemicals, wood and paper, machinery and electrical

[17] For example, Indian textile and clothing value added embodied in Swedish business service exports could reflect imported textiles used in workplaces, hotels or other business-related activities connected to Swedish service exports.

equipment. These sectors are closely integrated into international production networks and benefit both from lower tariffs on industrial goods and from stronger cross-border production linkages.

Panel B focuses specifically on Swedish motor vehicle value added embodied in Indian exports and shows in which Indian export sectors this value added is used. While the largest increases are observed within Indian motor vehicle exports, substantial increases are also visible in textiles and clothing, extractive industries, chemicals, and business services.[18] This illustrates how lower tariffs and trade costs strengthen production linkages across sectors and increase the use of imported intermediate inputs with Swedish value-added content in export-oriented production.

The results presented in Figure 4 and Figure 5 illustrate how the simulated liberalisation scenarios may affect not only direct trade flows between Sweden and India, but also cross-border production linkages through the use of intermediate goods and services in export production.

[18] For example, Swedish motor vehicle and parts value added embodied in these Indian export sectors may reflect Swedish motor vehicle products and components used indirectly in production and logistics activities linked to Indian export production

5 Conclusion

This analysis examines the simulated medium-term effects of the EU–India Free Trade Agreement on trade flows, sectoral trade patterns, and value-chain integration between Sweden, the EU, and India using the OECD METRO model.

Although trade between India and both Sweden and the EU has increased substantially over the past decade, bilateral trade relations remain relatively limited in relation to the size of the economies involved. Given the scale and long-term growth potential of both India and the EU, the agreement may therefore represent an important step towards deeper economic integration and stronger long-term trade linkages.

The simulated scenarios show that an EU–India FTA increases bilateral trade between India and both Sweden and the EU, with larger effects under the ambitious scenario reflecting deeper reductions in tariffs and trade costs. Swedish exports to India are estimated to increase by around 21–26 per cent across the two scenarios, while imports from India increase by around 13–17 per cent. For the EU, exports to India increase by around 17–21 per cent and imports by around 10–13 per cent. Export increases to India are generally larger than import increases from India, partly reflecting higher initial tariff levels in India than in the EU and hence larger reductions in import tariffs on the Indian side.

For Sweden, the largest export increases are concentrated in manufacturing, particularly motor vehicles, metals, machinery and electrical equipment, and other manufacturing. Imports from India increase primarily in textiles and clothing, but also in business and financial services. For the EU as a whole, export gains are distributed across a broader range of sectors, including food products, manufacturing, and intermediate-goods sectors such as metals and rubber and plastics.

The value-added analysis suggests that the effects of the agreement may extend beyond direct trade flows. Indian value added embodied in Swedish exports increases particularly in textiles and clothing, but also in Indian service sectors linked to Swedish exports. At the same time, Swedish value added embodied in Indian exports is estimated to increase substantially in sectors such as motor vehicles, chemicals, and wood and paper, indicating stronger integration into Indian and global production networks. The results therefore illustrate stronger production linkages and deeper industrial integration between Sweden and India. Given the still relatively limited value-added trade linkages between the economies, the results suggest considerable scope for deeper integration over time.

Taken together, the simulations point to stronger trade integration between Sweden, the EU, and India, with particularly pronounced effects in manufacturing and sectors integrated into global value chains. The results also highlight that the sectoral composition of liberalisation matters, as sectors with high existing tariffs and strong cross-border production linkages are likely to experience the largest adjustments.

At the same time, the simulations presented in this analysis capture only part of the potential effects of the agreement and should be interpreted with caution. The simulations are based on stylised scenarios focusing on reductions in tariffs on goods

and trade costs in selected service sectors. However, modern trade agreements include a broader range of provisions covering areas such as investment, regulatory cooperation, public procurement, and market access. These dimensions are not captured within the modelling framework, suggesting that the broader long-term effects of the agreement may exceed those reflected in the simulations. In addition, the results do not capture broader geopolitical developments that may influence future trade patterns.

The EU–India FTA should also be viewed in the context of the EU's broader efforts to diversify trade relations and strengthen economic ties with fast-growing economies amid increasing geopolitical uncertainty. Together with agreements and negotiations involving partners such as Mercosur, Indonesia, and Australia, the agreement reflects broader EU efforts to deepen economic engagement with a wider range of trading partners.

As more detailed information on tariff schedules and the final legal provisions of the agreement becomes available, future analysis may assess the agreement in greater detail.

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Appendix A: Model framework and method

The OECD global trade model METRO is a computable general equilibrium (CGE) model specifically designed for trade policy analysis. It is widely used to assess how changes in tariffs, trade costs, and other trade barriers affect production, trade flows, and global value chains across countries and sectors. When a policy change is introduced, such as tariff reductions or lower trade costs, the model captures the reallocation of trade, production, and consumption in a new equilibrium following the shock. The simulations follow the standard METRO closure and parameter settings. This includes a fixed balance of payments, flexible government expenditure, and fixed tax rates.[19]

The results reflect a medium-term equilibrium following the policy shock, that is, the simulated tariff and trade cost reductions, corresponding to an adjustment horizon of approximately 5–7 years after the simulated tariff and trade cost reductions are implemented. As the agreement itself is likely to be phased in gradually over several years, the timing and pace of adjustment may in practice differ from the stylised model framework. The analysis therefore captures structural adjustment rather than short-term dynamics.

The reference scenario builds on the standard METRO database, which uses the GTAP 11 social accounting matrix with base year 2017. The baseline is adjusted to account for sanctions against Russia and Belarus by introducing higher trade costs between countries applying these sanctions, on the one hand, and Russia and Belarus, on the other. This reflects the substantial reduction in trade between these economies in recent years, while recognising that trade cannot be fully eliminated within the modelling framework.

Other trade policy developments introduced after 2017 are not systematically incorporated into the reference scenario. The baseline should therefore be interpreted as a stylised representation of global trade conditions prior to many recent trade policy developments, including tariff increases, safeguard measures, and other trade restrictions introduced in recent years.[20] While selected updates could potentially be incorporated, partial adjustments risk creating inconsistencies in the baseline and shifting the focus away from the EU–India agreement towards broader global trade policy developments. Moreover, given the model's medium-term horizon, the persistence of such measures over time remains uncertain. As the analysis focuses on relative changes between scenarios, incorporating additional trade policy measures would not necessarily alter the overall direction of the simulated effects. The analysis therefore focuses on the relative effects of the simulated EU–India FTA scenarios under the assumption of unchanged trade policies outside the agreement.

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[19] OECD (2023), *METRO version 4 documentation*, Trade and Agriculture Directorate.

[20] See, for example, European Commission (2025), C*ommission Implementing Regulation (EU) 2025/612 on safeguard measures on imports of certain steel products*; UNCTAD (2026), *Tariff dashboard – tracking the evolution of US tariffs*; UNCTAD (2026), *Global Trade Update: Top trends redefining global trade in 2026*.

The regional aggregation used in the analysis is presented in Table 2. The sectoral aggregation is presented in Table 3. The sectoral structure is designed to reflect key features of the Indian economy, as well as the trade structure of Sweden and the EU and the sectoral coverage of the agreement.

Table 2. Regional aggregation used in the simulation

Metro region (14)	Countries included
Sweden	Sweden
European Union (24 member states)	Austria, Belgium, Bulgaria, Croatia, Cyprus, Czechia, Denmark, Estonia, Finland, France, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, Malta, Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain
Ireland (included in the EU aggregate)	Ireland
Germany (included in the EU aggregate)	Germany
India	India
United States	United States
China	China, Hong Kong
United Kingdom	United Kingdom
Japan	Japan
South Korea	South Korea
Russia and Belarus	Russia, Belarus
East and Southeast Asia	Taiwan, Brunei, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand, Vietnam, Bangladesh, Pakistan, Mongolia, Nepal, Sri Lanka
Other countries with sanctions	Australia, New Zealand, Canada, Switzerland, Norway
Rest of the World	All other countries

Source: Authors' compilation.

Table 3. Sectoral aggregation used in the simulation

Metro sectors (21)	Product groups included
Agriculture	Paddy rice, Wheat, Cereal grains nec, Vegetables, fruit, nuts, Oil seeds, Sugar cane, sugar beet, Plant-based fibers, Crops nec, Bovine cattle, sheep and goats, horses, Animal products nec, Raw milk, Wool, silk-worm cocoons, Forestry, Fishing
Extractive industries	Coal, Oil, Gas, Other extraction
Food	Bovine meat products, Meat products nec, Vegetable oils and fats, Dairy products, Processed rice, Sugar, Food products nec, Beverages and tobacco products
Textiles and clothes	Textiles, Wearing apparel, Leather products
Wood and paper	Wood products, Paper products, publishing
Other manufacturing	Manufactures nec
Pharmaceutical products	Basic pharmaceutical products
Metals	Metals nec, Metal products
Iron and steel	Ferrous metals
Electronics	Computer, electronic and optical products
Machinery and electrical equipment	Electrical equipment, Machinery and equipment nec
Motor vehicles	Motor vehicles and parts
Other transport equipment	Transport equipment nec
Petroleum and coal	Petroleum, coal products
Rubber and plastic	Rubber and plastic products
Mineral products	Mineral products nec
Chemicals	Chemical products
Other services	Electricity, Gas manufacture and distribution, Water, Construction, Trade, Accommodation and food service activities, Warehousing and support activities, Real estate activities, Recreational and other services, Public administration and defence, Education, Human health and social work activities, Dwellings
Transport services	Transport nec, Water transport, Air transport
Business services	Communication, Business services nec
Financial services	Financial services nec, Insurance

Source: Authors' compilation.

Note: Sector definitions follow the GTAP classification.

Appendix B: Tariff and trade cost assumptions

This appendix provides transparency regarding the assumptions underlying the simulations to facilitate interpretation of the results.

Table 4 presents the tariff and trade-cost reductions applied in the moderate and ambitious liberalisation scenarios. As detailed product-level tariff schedules and final legal provisions are not yet publicly available, the agreement cannot be replicated exactly within the modelling framework. The scenarios are therefore constructed as stylised representations of possible liberalisation outcomes based on publicly available information from the European Commission, as well as other simulations of the agreement's potential effects.[21] The agreement is expected to liberalise the vast majority of bilateral goods trade, with the EU eliminating tariffs on more than 90 per cent of tariff lines and India on around 86 per cent. However, liberalisation in sensitive sectors is expected to remain more gradual and partial.[22]

Tariff reductions are implemented at sectoral level and vary across sectors depending on initial tariff levels, sectoral sensitivities, and the assumed scope of liberalisation. The shocks are applied bilaterally between India and the EU, with Sweden analysed separately within the model framework. Some sector-specific differences reflect variations in initial tariff structures and liberalisation assumptions.

The agreement is described as covering the vast majority of tariff lines, with substantial liberalisation in industrial goods and more limited reductions in sensitive sectors such as agriculture and motor vehicles.[23] These features are reflected in the design of the tariff shocks applied in the model. The moderate liberalisation scenario reflects a more limited degree of liberalisation, while the ambitious liberalisation scenario assumes broader and deeper reductions in tariffs and trade costs. In goods trade, the simulations include only tariff reductions and do not explicitly capture other potential effects of the agreement, such as reduced administrative barriers, customs frictions, or regulatory cooperation. In services, reductions in trade costs are used as stylised proxies for lower regulatory and market-access barriers.

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[21] European Commission (2026), *EU and India conclude landmark Free Trade Agreement*, European Commission Press Release.; European Commission (2026), *EU–India Free Trade Agreement: Chapter-by-Chapter Summary*; Hinz, J., Langhammer, R., Mahlkow, H. and Thakur, V. (2026), *The EU–India Trade Deal: Strategic Diversification in an Era of Uncertainty*, Kiel Policy Brief, January 2026.

[22] European Commission (2026), *EU–India Free Trade Agreement: Chapter-by-Chapter Summary*;

[23] Ibid.

Table 4. Included tariffs and trade costs reductions

Panel A: Tariff reductions in goods sectors

Sector	Moderate liberalisation scenario	Ambitious liberalisation scenario	Motivation
	% reduction of initial tariffs	*% reduction of initial tariffs*	
Agriculture	50	65	Partial liberalisation reflecting sectoral sensitivities
Food	55	70	High initial tariffs and partial liberalisation of selected food and beverage products
Textiles and clothing	85	95	Broad tariff reductions
Wood and paper	85	95	Broad tariff reductions
Chemicals	85	95	Broad tariff reductions reflecting high initial tariffs
Basic pharmaceutical products	85	90	Broad liberalisation combined with improved market access
Metals	85	95	Broad tariff reductions
Iron and steel	70	85	Partial liberalisation reflecting safeguard measures and sectoral sensitivities
Electronics	85	95	Broad tariff reductions
Machinery and electrical equipment	85	95	Broad tariff reductions with phased liberalisation
Other manufacturing	85	95	Broad tariff reductions
Motor vehicles	55 (EU), 45 (India)	70 (EU), 60 (India)	Partial liberalisation reflecting existing protection and staged tariff reductions
Other transport equipment	70	85	Phased tariff liberalisation
Petroleum and coal	55	70	Partial liberalisation reflecting sectoral sensitivities
Rubber and plastic	85	95	Broad tariff reductions

Panel B: Trade cost reductions in service sectors

Sector	Moderate liberalisation scenario	Ambitious liberalisation scenario	Motivation
	% reduction of initial trade costs	*% reduction of initial trade costs*	
Financial services	10	15	Improved market access and regulatory transparency commitments
Business services	10	15	Reduced regulatory barriers and improved market access
Transport services	5	10	Moderate reductions in trade costs reflecting regulatory improvements
Other services	5	10	Moderate reductions in trade costs reflecting services liberalisation

Source: Authors' compilation.

Note: "EU" refers to both the EU26 aggregate and Sweden. While Sweden is modelled separately, identical tariff changes are applied to both. Tariff reductions are implemented proportionally to initial tariff levels; a 50% reduction therefore corresponds to halving the initial tariff rate. As initial tariffs are generally higher in India than in the EU, percentage reductions therefore imply larger absolute tariff reductions on the Indian side.

Sammanfattning

Summary in Swedish

Denna analys undersöker de simulerade effekterna av ett frihandelsavtal mellan EU och Indien på handel, sektoriella handelsmönster och integration i globala värdekedjor mellan Sverige, EU och Indien med hjälp av OECD:s handelsmodell Metro.

Avtalet slutförhandlades politiskt i januari 2026, men detaljerade tullscheman och slutliga rättsliga bestämmelser är ännu inte offentliga. Simuleringarna ska därför tolkas som stiliserade representationer av möjliga liberaliseringsutfall snarare än det slutliga avtalet.

Två scenarier analyseras: *ett scenario med måttlig liberalisering* och *ett scenario med ambitiös liberalisering*. Båda scenarierna omfattar bilaterala tullsänkningar för varuhandeln samt minskade handelskostnader inom tjänstesektorer mellan Indien, EU och Sverige. För tjänstesektorer används minskade handelskostnader som stiliserade approximationer av lägre regulatoriska hinder och förbättrat marknadstillträde.

Under de liberaliseringsscenarier som analyseras ökar den bilaterala handeln mellan Indien och både Sverige och EU, med större effekter i det ambitiösa scenariot. Svensk export till Indien ökar med omkring 21–26 procent, medan importen från Indien ökar med omkring 13–17 procent. För EU som helhet ökar exporten till Indien med omkring 17–21 procent och importen från Indien med omkring 10–13 procent. Exportökningarna till Indien är större än importökningarna från Indien, vilket delvis förklaras av att Indien initialt har betydligt högre tullnivåer än EU.

För Sveriges del är de största exportökningarna koncentrerade till tillverkningsindustrin, särskilt motorfordon, metaller, maskiner och elektrisk utrustning. Dessa sektorer gynnas särskilt av betydande minskningar av indiska handelshinder för industrivaror. Importen från Indien ökar främst inom textilier och kläder samt vissa tjänstesektorer, vilket speglar Indiens komparativa fördelar inom arbetsintensiv tillverkning och tjänstehandel. För EU som helhet är exportökningarna spridda över ett bredare antal sektorer, inklusive livsmedel och industrivaror.

Analysen av förädlingsvärde belyser också hur avtalet kan påverka produktionskopplingar mellan Sverige och Indien utöver de direkta handelsflödena. Svenskt förädlingsvärde i indisk export ökar särskilt inom tillverkningssektorer som motorfordon, kemikalier och maskiner, medan indiskt förädlingsvärde i svensk export framför allt ökar inom textilier och kläder samt vissa tjänstesektorer. Resultaten illustrerar hur lägre handelshinder kan stärka gränsöverskridande produktionsnätverk och öka användningen av insatsvaror mellan sektorer och värdekedjor.

Resultaten bör tolkas med försiktighet. Simuleringarna speglar jämviktseffekter på medellång sikt, cirka 5–7 år efter att de antagna liberaliseringsscenarierna träder i kraft, och fångar inte kortsiktiga anpassningskostnader, osäkerhet kring genomförandet, den senaste utvecklingen inom handelspolitiken eller framtida geopolitiska förändringar som påverkar globala handelsförhållanden. När mer detaljerad information om avtalet blir tillgänglig kan framtida analyser bedöma dess effekter mer detaljerat.

The National Board of Trade Sweden is the government agency for international trade, the EU internal market and trade policy. Our mission is to facilitate free and open trade with transparent rules as well as free movement in the EU internal market.

Our goal is a well-functioning internal market, an external EU trade policy based on free trade and an open and strong multilateral trading system.

We provide the Swedish Government with analyses, reports and policy recommendations. We also participate in international meetings and negotiations.

The National Board of Trade, via SOLVIT, helps businesses and citizens encountering obstacles to free movement. We also host several networks with business organisations and authorities which aim to facilitate trade.

As an expert agency in trade policy issues, we also provide assistance to developing countries through trade-related development cooperation. One example is Open Trade Gate Sweden, a one-stop information centre assisting exporters from developing countries in their trade with Sweden and the EU.

Our analyses and reports aim to increase the knowledge on the importance of trade for the international economy and for the global sustainable development. Publications issued by the National Board of Trade only reflect the views of the Board.

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