

FROM "MOTHER OF ALL TRADE DEALS"
TO STRATEGIC PARTNERSHIP.

THE LOGIC OF INDO-EUROPEAN CONVERGENCE

Introduction

The so-called "Mother of all trade deals" between India and the European Union should be understood as the opening move in a broader strategic realignment between two of the world's most consequential economic and political actors. The agreement is economically beneficial in its own right. Its greater significance, however, lies in what it enables: a structural deepening of Indo-European cooperation, with long-term security implications – an opportunity that both parties should actively pursue.



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Economic exchange as a security asset

Economic growth remains a foundational element of national power. Over time, economic strength translates into technological capacity and military capability. For India, accelerating growth relative to China strengthens its strategic position. For Europe, economic vitality is equally essential to sustaining technological relevance in an era of intensifying great-power competition. Growth also enhances social stability and societal resilience – not irrelevant in an age of hybrid threats and political polarisation.

Economic interdependence also shapes strategic behaviour. States are more inclined to support partners on whom they materially depend. The United States’ commitment to Taiwan is often described in moral terms, but its credibility is underpinned by the “silicon shield”: deep reliance on Taiwanese semiconductor production makes disruption strategically unacceptable.¹ Interdependence does not guarantee intervention, but it raises the cost of non-intervention.

A similar, if slower, logic could emerge between the European Union and India. Growing economic exposure increases incentives for diplomatic, regulatory, and sanction-based support. EU economic measures in response to Chinese aggression against India, or Indian pressure on Russia following aggression against an EU member state, would no longer be unthinkable – even if costly.

Diversification itself is a form of security. The broader a state’s trade portfolio, the less vulnerable it becomes to coercion

by any single partner. “Tariff diplomacy” has been an unpleasant experience for both Europe and India over the past year. Expanding trade with reliable partners reduces relative exposure to less predictable ones.

There is also a strong case for collaboration in areas where neither Europe nor India currently sets the global technological frontier.² Both risk becoming increasingly dependent on foreign-dominated technologies. Coordinated investment can reduce costs, accelerate learning, and build strategic autonomy. Europe’s engineering depth combined with India’s strengths in software, data, and AI has the potential to sustain globally competitive firms. Cooperation need not be limited to defensive self-sufficiency. Beyond reducing dependency, India and Europe can jointly cultivate areas of technological leadership that generate influence beyond strategic autonomy.

The January 2026 summit: a strategic inflection point

The EU–India Security and Defence Partnership, signed the same day as the Free Trade Agreement, signals that the January 2026 summit marked a genuine strategic inflection point rather than a merely commercial milestone. The first comprehensive framework of its kind between the two sides, it covers maritime security, cyber and hybrid threats, counter-terrorism, defence industry cooperation, and space security. The simultaneity was not incidental: trade and security were deliberately packaged as two pillars of a single strategic realignment. On

1. Ing-wen, T., (2021) *Taiwan and the Fight for Democracy: A Force for Good in the Changing International Order*

Accessed at: <<https://www.foreignaffairs.com/articles/taiwan/taiwan-and-fight-democracy-tsai-ing-wen>> & Powers, R.,

(2023) *Taipei Fears Washington Is Weakening Its Silicon Shield*. Accessed at: <<https://foreignpolicy.com/2023/02/17/united-states-taiwan-china-semiconductors-silicon-shield-chips-act-biden/>>.

2. Global R&D totals are dominated by the US and China: Bonaglia, D., Rivera León, L., Wunsch-Vincent, S., (2024) *End of Year Edition – Against All Odds, Global R&D Has Grown Close to USD 3 Trillion in 2023*. Accessed at: <<https://www.wipo.int/en/web/global-innovation-index/w/blogs/2024/end-of-year-edition>>, The most cited research for critical technologies is increasingly dominated by China: Wong-Leung, J., Robin, S., Cohen, L., (2025) *ASPI’s Critical Technology Tracker: 2025 updates and 10 new technologies*. Accessed at: <<https://www.aspistrategist.org.au/aspis-critical-technology-tracker-2025-updates-and-10-new-technologies/>>.

the defence supply side, this convergence is already visible in practice. Although Russia remains India's largest single arms supplier by cumulative volume, its share has declined significantly over time according to SIPRI data.³ European suppliers however, France in particular, have through technology transfer and co-production arrangements emerged as a growing and strategically significant alternative.

This structural shift is further underscored by New Delhi's intensified high-level diplomacy, notably through Prime Minister Modi's recent tours across European countries. These visits serve as more than symbolic gestures; they function as the operational engine of the new alignment, translating the summit's high-level frameworks into concrete bilateral industrial and security initiatives on the ground.

Deeper affinities beyond security and economics

Economic and security logic alone does not guarantee durable partnerships. Long-term cooperation is easier to sustain when political systems and societies share common characteristics. There are clearly differences between Europe and India, but at the same time they have more in common than is often recognised.

Both the European Union and the Republic of India are large, internally diverse political systems that govern through negotiation rather than uniformity. Authority is distributed across multiple layers – regional, national, and supranational in Europe; federal and state in India. Diversity is managed through institutionalised pluralism rather than suppressed through centralised control.

By contrast, China and Russia operate through highly centralised political models in which power is concentrated and

dissent tightly managed. Political cohesion in these systems is maintained through top-down discipline rather than continuous democratic bargaining. The contrast is ultimately one between pluralistic governance and consolidated authority.

Europe and India are pluralistic by design. Political competition, regional autonomy, judicial review, and electoral accountability are embedded features of their systems. These characteristics generate friction and inefficiency, but they also produce resilience and adaptability over time.

The foundational trajectories of modern Europe and India reinforce this pluralistic orientation. India's independence emerged from mass political mobilisation rather than military revolution. The European Union evolved as a negotiated peace project designed to bind former adversaries into shared institutions. In both cases, political order was built through compromise and accommodation rather than centralised consolidation.

Practical interests reinforce these affinities. Neither Europe nor India can accept a Eurasian order dominated by a single power. Both have suffered from terrorism and state-sponsored hybrid threats, and both share an interest in deterrence, resilience, and the defence of free societies.

India is the world's largest democracy; the European Union is the largest democratic union of independent states. Both are complex, multilayered political entities that function despite – and often because of – internal diversity.

Obstacles – real, but manageable

Closer ties are not without friction. India may question whether Europe would act decisively in a crisis involving China, given Europe's economic exposure. Europe, in turn,

3. George, M., Djokic, K., Hussain, Z., Wezeman, P. D., Wezeman, S. T., (2026) *Trends In International Arms Transfers 2025*. Accessed at: <<https://www.sipri.org/publications/2026/sipri-fact-sheets/trends-international-arms-transfers-2025>>.

has legitimate concerns about India’s relationship with Russia, particularly its reliance on Russian energy and military equipment. Some European capitals also worry about democratic backsliding in India, while Indian policymakers may view the EU’s internal complexity as a liability.

These concerns are understandable, but they are often overstated. Credibility concerns run in both directions.

The European Union’s credibility is stronger than is commonly assumed. Prior to Russia’s full-scale invasion of Ukraine, trade with Ukraine accounted for just over one percent of EU trade, while trade with Russia approached six percent, with nearly half of Europe’s gas imported from Russia.⁴ Few expected the European Union to absorb the costs required to sanction Russia at scale. Yet twenty sanctions packages later, combined with substantial financial, humanitarian, and military support for Ukraine, the European Union has demonstrated a willingness to act, even at significant economic cost.⁵ Europe’s failure was not incapacity, but inadequate signalling before the invasion. Once committed, however, the EU has proven capable of sustained execution, particularly in trade and economic policy. Europe, in turn, questions India’s strategic autonomy given its continued reliance on Russia.

Critics argue that India’s reliance on Russian arms undermines its credibility as a partner. Yet India’s ties to Russia should be seen in dynamic rather than static terms. The relationship is rooted in Cold War path dependency and immediate

material considerations. The declining competitiveness of Russia’s military technology and its limited economic relevance point toward diminishing returns for India over time. Cheap Russian oil may offer short-term gains, but it is not a foundation for a future-oriented partnership. India’s long-term interests align more closely with diversified, high-value economic partners than with a stagnating, sanctioned economy. Furthermore, Russia’s deepening dependence on – and long-term subordination to – China makes it an increasingly unreliable partner for India. Nonetheless, unwinding decades of defence integration will take time.⁶

Concerns about democracy in India deserve serious attention, but perspective matters. India has remained a democracy for nearly eight decades since independence. Even during the Emergency of 1975–77 the constitution was not abandoned, the military was not politicised, and free elections were subsequently held. Democratic pressures are not unique to India; they reflect a broader global trend, including within parts of Europe. India’s democratic durability, given its scale and complexity, suggests resilience rather than inevitability of decline.

The EU’s Carbon Border Adjustment Mechanism (CBAM) was a point of tension, which remains in place for India despite the agreement. However, in a compromise the EU has pledged 500 million euros to help reduce Indian emissions, and a quota of duty free steel exports.⁷

4. European Council, (2025) *EU trade relations with Russia. Facts, figures and latest developments*. Accessed at: <https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/russia_en#:~:text=Russia-,EU%20trade%20relations%20with,Facts%2C%20figures%20and%20latest%20developments.&text=Until%2024%20February%202022%2C%20Russia,its%20ability%20to%20wage%20war> & European Council, (2026) *Where does the EU’s gas come from?*

Accessed at: <<https://www.consilium.europa.eu/en/infographics/where-does-the-eu-s-gas-come-from/>>.

5. European Council, (2025) *19th package of sanctions against Russia: EU targets Russian energy, third-country banks and crypto providers*. Accessed at: <<https://www.consilium.europa.eu/en/press/press-releases/2025/10/23/19th-package-of-sanctions-against-russia-eu-targets-russian-energy-third-country-banks-and-crypto-providers/>>.

6. Swedish Institute Of International Affairs, (2025) *India’s Partnership with Russia: An Overview*. Accessed at: <<https://www.ui.se/globalassets/ui.se-eng/publications/ui-publications/2025/ui-report-no-10-2025-india-russia.pdf>>.

7. Abnet, K., (2026) *EU-India trade deal leaves bloc’s carbon border tariff intact*. Accessed at: <<https://www.reuters.com/sustainability/climate-energy/eu-india-trade-deal-leaves-blocs-carbon-border-tariff-intact-2026-01-27/>>.

Geography matters less than it once did

Physical distance no longer insulates states from strategic exposure. Europe may be far from China geographically, but it remains deeply entangled economically, technologically, and socially. Cyber operations, supply-chain disruptions, long-range weapons, and economic coercion collapse distance. China’s role as Russia’s enabler further binds European security to Asian dynamics.⁸

India and Europe may be far apart on the map, but both are increasingly exposed to the same systemic risks. Neither can accept economic or technological domination by China. In that sense, they already share a common strategic theatre.

What should Europe and India seek?

Both should prioritise strategic autonomy through cooperation, not isolation. Neither can match the scale of the United States or China alone, but together – and with like-minded partners – they can help sustain a more competitive and resilient global economy. Markets with multiple capable suppliers are more efficient and more secure than monopolies or duopolies.

As economic integration deepens, so too should economic deterrence. Europe and India have a shared interest in preventing aggression that threatens their prosperity. Over time, explicit commitments to economic countermeasures in response to coercion or aggression would enhance deterrence without requiring military alignment.

Finally, as traditional partners become less predictable, diversification becomes imperative. For both Europe and India, few alternative partnerships combine economic scale, strategic alignment, and institutional compatibility to the same degree.

Constructive engagement with the United States should be welcomed. A larger common economic ecosystem will be better positioned to develop champions to compete with China. This requires all participants to abandon zero-sum views of trade, and seek genuine “win-win” solutions that benefit all. But even if this is the rationally best solution for all participants, it might take some time before we get there.

What comes next?

Once ratified, the trade agreement will drive increased exchange and deeper integration. Judging by the substantial trade expansion that followed India’s free trade agreements with Japan and South Korea,⁹ the economic impact is likely to be meaningful. More importantly, it will create the conditions for broader cooperation – in technology, security, and global governance.

The “Mother of all trade deals” may not transform geopolitics overnight, but it has the potential to constitute the foundation of a long-term strategic partnership between Europe and India that strengthens both – and contributes to a more balanced and resilient international order. In an era of coercion and concentrated power, pluralistic powers cannot afford strategic isolation.

8. Caruso, A., Rühlig, T., (2025) *The dependence gap in Russia-China relations*.

Accessed at: <<https://www.iss.europa.eu/publications/analysis/dependence-gap-russia-china-relations>>.

9. Seshadri, V. S., (2016) *India-Japan CEPA: An Appraisal*. Accessed at: <https://www.ris.org.in/sites/default/files/Publication/India-Japan%20CEPA%20Report_2016.pdf> & Gupta, P., (2024) *India’s Trade Integration with the Republic of Korea: A Services Trade Analysis of India-Korea CEPA*. Accessed at: <<https://journals.sagepub.com/doi/10.1177/26316846241261134>>.