



INDIA–EUROPE RELATIONS: BALANCE BETWEEN TRADE AND HUMAN RIGHTS

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Abstract:

This Research paper examines the evolving India–Europe relationship through the twin lenses of economic interdependence and normative tensions over human rights. It maps trade and investment dynamics that have brought the European Union (EU) and India closer including intensified Free Trade Agreement (FTA) negotiations and rising bilateral commerce and adjoining these with recurrent EU concerns about civil liberties, rule of law, and human-rights governance in India. Using a policy-document and media-content analysis of official statements, NGO communities, and major press coverage between 2021–2025, the research paper identifies the institutional instruments, political incentives, and friction points shaping a pragmatic but uneasy partnership. It argues that while material incentives (market access, technology, green transition cooperation) have strengthened strategic alignment, unresolved regulatory (CBAM, Deforestation Regulation, Foreign Subsidies Regulation) and normative frictions mean that the EU's human-rights leverage will remain limited and conditional effective mostly where reputational costs and legislative instruments intersect. The Research paper concludes with policy recommendations for both sides to manage tensions while preserving a mutually beneficial strategic partnership.

Keywords: India, European Union, trade, Human rights, FTA, CBAM (Carbon Border Adjustment Mechanism), Strategic partnership

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Introduction:

India and the European Union have elevated their relationship in the past decade from traditional trade links to a strategic partnership that spans trade, investment, technology, climate, and security. The EU is one of India's largest trading and investment partners; bilateral trade and services flows have grown substantially, and both sides have committed to concluding a comprehensive FTA. Simultaneously, persistent human-rights concerns raised by European institutions and NGOs including issues pertaining to civil liberties, press freedom, and specific regional tensions complicate the political landscape. This Research paper defines: How do trade interests and human-rights considerations interact in shaping the India–Europe relationship? Which mechanisms do European actors use to reconcile commercial engagement with normative commitments, and how does India respond to these pressures?

Key recent developments frame the analysis: renewed momentum in FTA negotiations with a year-end target repeatedly stated by leaders in 2025; debates over the EU's Carbon Border Adjustment Mechanism (CBAM)

and its implications for Indian exports; and repeated calls from European human-rights organizations for the EU to press India on rights violations and to ensure meaningful human-rights dialogue. These developments make the India–Europe relationship an instructive case of the trade–rights balance in contemporary diplomacy.

Literature Review and Theoretical Framing:

1. Trade–Human Rights Literature

Two strands dominate the literature. The first emphasizes economic interdependence and the logic of trade liberalization: increased trade and investment create mutual incentives to avoid political rupture, encouraging pragmatic cooperation. The second strand interrogates the normative dimension: liberal democracies often try to assert human-rights conditionality through diplomacy, trade preferences, or sanctions, but effectiveness varies depending on economic leverage and geostrategic context.

Recently, scholars have examined how “complex interdependence” forces states and blocs to compartmentalize pursuing intense economic cooperation while downgrading contentious normative issues to side dialogues or civil-society channels. The India–EU context is an empirical example: high commercial stakes incentivize negotiation and accommodation, while the EU’s normative identity pushes it to publicly raise human-rights concerns.

2. Norms vs. Interests: A Framework

This Research paper uses a mixed framework combining (a) **instrumental interests** (trade, investment, energy, tech cooperation) and (b) **normative identity and legitimacy** (EU’s internal political demands and civil-society pressures). Three mechanisms mediate the trade–rights balance:

1. **Formal Conditionality:** explicit clauses or trade sanctions tied to rights behaviour (rare in EU–India ties).
2. **Regulatory Leverage:** EU regulations (e.g., CBAM, Deforestation Regulation, Foreign Subsidies Regulation) that produce de facto pressure through market access and compliance costs.
3. **Diplomatic Engagement & Dialogue:** human-rights dialogues, parliamentary resolutions, and civil-society channels that express concerns without halting trade.

Research Methodology:

Given the policy-oriented nature of the question, the research adopts a qualitative content-analytic method:

- **Primary sources:** Official EU and Indian government statements and press releases (High Representative/Commissioner remarks, EEAS, Ministry of External Affairs), FTA negotiation communiqués, EU legislative texts (CBAM, Deforestation Regulation summaries).
- **Secondary sources:** Major international press (Reuters, Financial Times, AP), policy briefs (European Parliament, think tanks), and NGO statements from Amnesty International and Human Rights Watch.
- **Time window:** Focus on 2021–2025 to capture recent upward momentum in trade talks and major regulatory developments.
- **Analytic steps:** (1) map trade and investment trends; (2) catalogue EU regulatory tools with extraterritorial effects; (3) identify focal human-rights concerns raised by European actors; (4) analyse instances where trade/regulation/human-rights have collided or been reconciled.

The Economic Core: Trade, Investment, and the FTA Push

1. Trade and Investment Patterns

By 2023–24 bilateral trade in goods and services had reached well over USD 130–140 billion, with the EU as one of India's largest partners. Services trade and FDI flows have been particularly prominent, with the EU accounting for a significant share of cumulative FDI inflows into India. These commercial ties create strong material incentives for both sides to avoid major diplomatic ruptures and to accelerate market-integration mechanisms such as an FTA.

2. FTA Negotiations: Opportunities and Obstacles

Negotiations on a comprehensive EU–India Free Trade Agreement accelerated after 2021, with leaders committing in 2025 to conclude talks within the year. The FTA offers substantial benefits: market access for Indian goods (textiles, pharmaceuticals, IT services) and access for European industrial goods and services. However, sticking points include tariffs on key sectors (cars, alcoholic beverages), regulatory divergence, and non-tariff barriers. Climate-related regulatory measures, particularly the EU's CBAM (Carbon Border Adjustment Mechanism), emerged as a major negotiating flashpoint: India has pushed back against carbon border levies while seeking concessions or calibrated transition measures.

3. Regulatory Instruments with Extraterritorial Effect

The EU increasingly uses regulatory instruments that have de facto global reach: CBAM (carbon-related import adjustments), the Deforestation Regulation (supply-chain due diligence on forest-risk commodities), and the Foreign Subsidies Regulation. These initiatives do not directly impose political conditionality but can impose compliance costs on exporters and influence domestic policy choices in trading partners. For India, these regulations affect export competitiveness and are important bargaining chips in trade talks.

The Human-Rights Dimension: Issues and European Responses

1. Main Human-Rights Concerns Raised by European Actors

European institutions and civil-society organizations have repeatedly raised concerns relating to: restrictions on civil liberties, arrests and prosecutions of journalists and human-rights defenders, communal violence and minority rights, and conditions in Jammu & Kashmir. NGOs such as Amnesty International and Human Rights Watch have called on the EU to press India more actively on these issues and to ensure credible, transparent human-rights dialogues. European Parliament reports have also expressed unease, insisting that human-rights dialogues be substantive and involve civil society.

2. EU Institutional Responses: Dialogue, Statements, and Parliamentary Pressure

The EU's response framework is multi-channel: (1) periodic human-rights dialogues; (2) parliamentary debates and resolutions; (3) diplomatic statements by the High Representative and Commission leadership; (4) engagement with Indian civil society and international monitoring bodies. However, EU instruments stop short of punitive trade sanctions in most cases due to the high economic stakes and the preference for engagement. NGOs continue to press for stronger measures, arguing that dialogue has been insufficient without follow-through.

Points of Tension and Convergence: Case Studies

1. CBAM and Climate-Related Conditionality

CBAM (Carbon Border Adjustment Mechanism) is illustrative of how regulatory measures can become leverage points. The EU's carbon border mechanism, intended to prevent carbon leakage, could impose levies on certain Indian exports unless India implements complementary domestic carbon pricing or can demonstrate lower emissions intensity. India has sought exemptions or alternative mechanisms; EU officials have signalled willingness to reduce levies if India adopts domestic carbon pricing which creating an incentive structure that links environmental policy to market access. This is not direct human-rights conditionality, but it shows how regulatory policy can create leverage without invoking explicit rights language.

2. Human-Rights Dialogue Attempts and Civil-Society Concerns

Repeated calls from NGOs and human-rights coalitions pressed the EU to take firmer stances; multiple attempts at formal human-rights dialogues were reported in 2023–2024, some of which were delayed or criticized for lack of civil-society inclusion. European Parliament reports have urged more robust engagement. At the same time, Indian authorities emphasize sovereignty, non-interference, and the need for respect for India's democratic processes. These differing frames create a diplomatic standoff where the EU's rhetorical pressure may not translate into material measures unless trade instruments or reputational costs are calibrated.

3. Strategic Context: Geopolitics and the Balance of Interests

Geopolitics shapes the calculus. India's strategic diversification which is closer defence and tech ties with Europe, the U.S., and others makes the EU reluctant to adopt heavy-handed measures that could push India toward alternative partners. Conversely, India values European technology, investment, and market access, maintaining a pragmatic orientation. Thus, geopolitical convergence (concerns about a stable global order, Russian energy flows, supply-chain resilience) often tempers normative confrontation.

Analysis: How Trade and Rights Are Balanced in Practice

1. Compartmentalization and Prioritization

The prevailing pattern is compartmentalization: economic cooperation proceeds through intensified trade talks and regulatory alignment, while human-rights matters are kept in parallel diplomatic channels. The EU tends to prioritize regulatory instruments (which affect market access and require compliance) over blunt political sanctions. This reflects both the EU's regulatory power and its own internal political constraints: the Commission and Member States must respond to constituencies calling for human-rights respect while also protecting commercial interests.

2. Effectiveness of EU Leverage

The EU's most effective leverage stems from regulatory rules that affect exporters access to its large market. Because these are framed as technical or environmental standards (CBAM, Deforestation Regulation), they can produce significant policy effects without explicit political conditionality. However, their efficacy in

changing human-rights practices is indirect and depends on whether domestic stakeholders in India link such regulatory pressures to governance reforms which is not automatic.

3. Risks of Over instrumentalization

If the EU relies solely on regulatory leverage, it risks two problems: (1) instrumentalization of normative claims where human-rights concerns are sidelined under technical compliance arguments, and (2) domestic backlash in India, where such measures may be framed as economic coercion or neo-colonial interference. Both outcomes would undermine long-term trust. Hence a balanced approach of meaningful dialogue, civil-society inclusion, and calibrated regulatory measures is required.

Policy Recommendations:

For the European Union

1. **Anchor human-rights dialogue in reciprocity and transparency:**

Ensure human-rights dialogues include civil-society representatives and publish joint agendas and follow-up measures to build credibility. NGO letters and reports suggest civil-society exclusion has undermined trust.

2. **Use regulatory instruments with capacity-building:**

When CBAM or Deforestation Regulation imposes compliance costs, accompany them with technical assistance, capacity-building, and transition funds for exporters to adapt converting pressure into partnership.

3. **Reserve sanctions as last-resort, targeted tools:**

Avoid blanket punitive measures that could cripple cooperation; instead design narrowly targeted responses linked to verifiable violations and clear remediation pathways.

4. **Enhance parliamentary diplomacy:**

The European Parliament should continue constructive engagement but coordinate its statements with Commission diplomacy to avoid mixed messages that can harden India's response.

For India

1. **Increase transparency in human-rights processes:**

Proactive engagement with EU concerns including inviting EU observers to selected processes or permitting more systematic civil-society participation would reduce reputational tensions.

2. **Leverage regulatory alignment as reform opportunity:**

Treat CBAM and similar rules as an impetus to accelerate domestic decarbonization and traceability in supply chains, which also benefits long-term competitiveness.

3. **Maintain strategic engagement across forums:**

Keep trade and rights engagement multi-track bilateral, multilateral, and civil-society to prevent single-channel politicization.

For Civil Society and Businesses

1. **Promote joint EU–India business civil society platforms:**

To discuss compliance, labour standards, and human-rights risk mitigation in supply chains.

2. **Businesses should adopt due-diligence practices:**

That anticipate EU regulatory requirements and embed human-rights considerations into procurement and sourcing.

Conclusion:

India–Europe relations are characterized by deep economic interdependence and persistent normative divergence. The EU’s regulatory toolkit (CBAM, Deforestation Regulation, and other standards) gives it an unusual form of leverage that is not overtly political but can exert real economic pressure. At the same time, human-rights concerns remain politically salient in Europe and are repeatedly raised by NGOs and parliamentary actors. The relationship will thus likely continue to be pragmatic and transactional: trade integration and cooperation will advance where mutual material interests align, while human-rights issues will be addressed via dialogue, reputational pressure, and targeted measures rather than wholesale trade conditionality.

A durable balance requires honest, transparent, and inclusive human-rights engagement by the EU; policy coherence that links regulatory measures to capacity-building; and constructive Indian responses that treat international concern as an opportunity for reform and economic modernization. Such calibrated engagement can preserve the strategic gains of deepening India–Europe ties without subordinating core normative commitments.

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