

India-EU FTA talks: Why resolving differences in services is a significant step forward

Regulations on cross-border data flows are among the most contentious topics in trade agreements with the Western countries, especially with the rise of artificial intelligence (AI).

Written by [Ravi Dutta Mishra](#)

July 19, 2025 21:26 IST



🕒 4 min read



This is important since the EU is the largest investor globally, and services represent over 70 per cent of the EU's foreign direct investment (FDI) abroad.

In the 12th round of negotiations that concluded earlier this month, India and the [European Union](#) managed to close the digital trade chapter “in principle” and made substantial progress on the text dealing with “services and investment”, marking a significant step forward in concluding the Free Trade Agreement (FTA) that both sides aim to sign by the end of this year.

The digital trade chapter of the FTA discussions covers crucial segments such as cross-border data flows, where trade partners decide on commitments to regulate movement of data across borders, which is important for e-commerce and global services.

To be sure, the textual positions taken by both sides have not yet been made public. However, bridging the regulatory gap in services between India and the EU would open the door for the Indian services sector to integrate more deeply, scale up, and attract greater investment. This is important since the EU is the largest investor globally, and services represent over 70 per cent of the EU’s foreign direct investment (FDI) abroad.

According to a 2021 European Parliament report, the EU aimed to remove all “discriminatory and disproportionate obstacles to establishment in both the services sector, as well as to the supply of cross-border services, in order to ensure a level playing field between EU and Indian service providers”. India has a fast growing IT and financial service sectors that has acted as a cushion for the economy as goods trade remained modest compared to the size of the economy.

Also Read | [AI models with systemic risks given pointers on how to comply with EU AI rules](#)

Significance of India-EU data trade

Regulations on cross-border data flows are among the most contentious topics in trade agreements with the Western countries, especially with the rise of artificial intelligence (AI). Effective AI systems — seen as the cornerstone of the Fourth Industrial Revolution — require diverse datasets from multiple countries. This has sparked a fierce race for data among Silicon Valley firms.



India has traditionally resisted altering its stance on data localisation under any plurilateral agreements at the World Trade Organization (WTO) to preserve policy space. It has also

tightened norms, notably in April 2018, when the Reserve Bank of India (RBI) made it mandatory for payment system providers such as Mastercard and Visa to store payment data of Indian residents within the country.

A 2018 UNCTAD report, *Power, Platforms, and the Free Trade Delusion*, highlighted the importance of data for innovation. It noted that control over data creates “market power and barriers to entry for new players”.

The UN Conference on Trade and Development (UNCTAD) also highlighted the potential benefits of data localisation, including encouragement to foreign investment in domestic digital infrastructure, enabling enforcement of national laws, as well as safeguarding privacy and cyber sovereignty. Countries such as Vietnam and the Philippines have implemented such measures to promote local capabilities and protect infant industries.

Investment and dispute settlement

The EU status report on the trade talks also stated that negotiators made substantial progress on the investment text. The negotiators had made very good progress on rules for state-to-state mediation, it added. Movement on dispute settlement is significant since it suggests a breakthrough on long-standing EU concerns regarding investment protection in India.

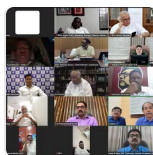
A European Parliament report had previously expressed regret that “uncertainties remain for EU investors, notably as a result of India’s decision to unilaterally terminate all its bilateral investment treaties (BITs) in 2016”. However, India has since begun to address the issue by negotiating new investment treaties under a revised framework.

While India has shown flexibility in its position, favouring resolution of investor-state disputes under domestic laws, the EU has stated that an investment protection agreement could serve as an “adequate stepping stone for further strengthening bilateral trade relations,” as it encourages negotiators to work towards establishing a multilateral investment court.

STORIES FOR YOU



Air India Ahmedabad plane crash: Probe looks for vital clues of electric...



Pahalgam, ceasefire to Bihar SIR: INDIA bloc lines up issues to target Govt,...



Ravi Dutta Mishra

Follow

Ravi Dutta Mishra is a Principal Correspondent with The Indian Express, covering policy issues related to trade, commerce, and banking. He has over five years of experience and has previously worked v **... Read More**

© The Indian Express Pvt Ltd

This article went live on July nineteenth, twenty twenty-five, at twenty-six minutes past nine at night.

TAGS: **Bilateral Trade**