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Advancing India's Rise as a Leading Power

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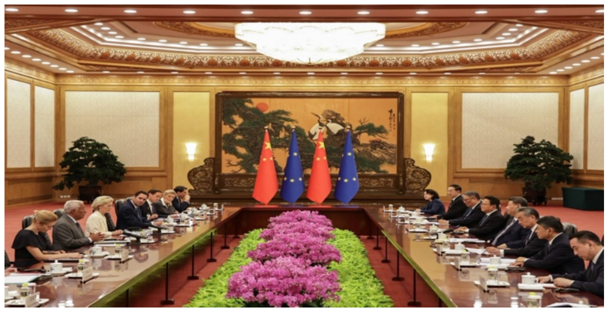
AUGUST 2026



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Volume II, Issue 8

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Focus Europe

Vol. II, Issue 8

August 2026

ABOUT US

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This monthly publication analyses strategic developments in Europe and India's relations with the EU and major European powers and is authored by Amb. Ruchira Kamboj, Senior Fellow for International Security and Global Affairs and Awantika Singh Sengar, Research Associate, DPG. Your comments and feedback may be addressed to the author at ruchira@dpg.org.in. To subscribe, please click here.

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1. *President Ursula von der Leyen, Antonio Costa and Kaja Kallas during the EU-China Summit, 24 July 2025. Source: European Council*
2. *Prime Minister Narendra Modi, Ursula von der Leyen and Antonio Costa during the EU-India Summit, 27 January 2026. Source: @narendramodi*
3. *EU-China Summit in Beijing, on 24 July 2025 Source: CNN*

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Focus Europe:

Europe's De-risking Pivot: What it Means for India

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Europe's De-risking Pivot: What it Means for India

Ambassador Ruchira Kamboj & Awantika Singh Sengar

Executive Summary

In May 2026, the European Commission declared that the state of the trade and economic relationship with China was 'not sustainable'[1]. A hardening of the 2023 'de-risking' approach articulated by Commission President Ursula von der Leyen, it is crucially not a decoupling. The EU continues to frame its moves as 'de-risking', diversifying to reduce excessive dependencies in specific critical areas, while continuing to trade broadly with China. This recalibration represents a genuine strategic opening for India. With the FTA scheduled to enter into force in early 2027 and a fourth meeting of the TTC due to follow in New Delhi next year, the trajectory is an upward one. But the two sides will need to ensure that both these instruments deliver, translating vision into action. India, in particular, will need to implement the required regulatory reforms, embed itself more deeply in global supply chains, and contend with competition closer to home, particularly from ASEAN economies. Europe's rules on standards, CBAM, data governance and IP will also pose significant challenges for India. The opportunity is, therefore real, but conditional.

Europe's China Problem: Why De-risking? Why Now?

The China issue is not new to Europe. In 2019, it was described as a competitor and a systemic rival[2], and in 2023, the Economic Security Strategy[3] formalized 'de-risking' as EU doctrine. What has changed is the pace and specificity of action in 2026.

Two triggers dominate. The COVID-19 pandemic exposed the risks of relying on concentrated supply lines, and the Russia-Ukraine war brought forward the problems of relying too much on a single country, Europe's reliance on Russian energy in this case[4]. President Trump's statements on Greenland and tariff threats also pushed Europe to review its alliances and dependencies.

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[1]Peggy Corlin and Luca Bertuzzi, "Is Europe Finally Waking Up to China?", *Euronews.* 29 May 2026. https://www.euronews.com/my-europe/2026/05/29/is-europe-finally-waking-up-to-china

[2]EU-China: A Strategic Outlook, 2019. https://commission.europa.eu/system/files/2019-03/communication-eu-china-a-strategic-outlook.pdf

[3]Joint Communication to the EUROPEAN PARLIAMENT, the EUROPEAN COUNCIL and the COUNCIL on "EUROPEAN ECONOMIC SECURITY STRATEGY". https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=JOIN:2023:20:FIN

[4]Institute for Defence and Business.

At the same time, China's economic and geopolitical rise has also affected the relationship with Europe. It is no longer just an exporter of cheap goods; it is now competing with Western nations in electric vehicles, batteries, solar technologies, telecommunications, and advanced digital technologies. For instance, China is the largest producer of EVs globally. According to the International Energy Agency, the EU imported around 9,00,000 electric vehicles in 2025, of which 60% were Chinese EVs[5]. Its ability to weaponize its dominance over rare earth elements is another factor. (Per International Energy Agency data China accounts for roughly 60% of global mining of rare earths, over 90% of refining, and nearly 95% of permanent-magnet production[6]). China's decision to restrict rare earth exports in April 2025, in retaliation to US tariffs, disrupted global supply chains[7]. Sectors dependent on critical inputs: electronics, automotive, defence, and renewable energy, were hit hard, with European and American manufacturers struggling to secure supplies and several global automakers forced to pause or cut production[8]. (India was also affected. With over 80% of its rare-earth magnets sourced from China, automakers such as Tata Motors, Mahindra, Bajaj Auto and Maruti Suzuki, which rely heavily on these magnets for electric vehicles, faced procurement challenges. In response, India began exploring domestic magnet production, strategic stockpiling and alternative supply sources, with companies like Mahindra and Uno Minda considering local manufacturing capacity[9]).

The numbers are particularly revealing. China is the European Union's third-largest trading partner for goods and services. In 2025, the total trade value between the EU and China reached €759 billion. But the EU saw a trade deficit of €359 billion with China while importing goods worth €559 billion and exporting goods worth only €199 billion[10]. The composition of this trade is also important: manufactured goods accounted for 97% of EU imports from China in 2025, with machinery and vehicles alone comprising 54.4%[11]. Another important product is rare earth

https://www.idb.org/supply-chain-management-lessons-from-the-pandemic/

[5]Global EV Outlook 2026, International Energy Agency. https://www.iea.org/reports/global-ev-outlook-2026/manufacturing-and-trade
[6]International Energy Agency, 8 April 2026. https://www.iea.org/news/new-projects-partnerships-and-policies-are-needed-to-address-supply-chain-risks-for-rare-earth-elements
[7]Erin Hale, 12 June 2025, Al Jazeera. https://www.aljazeera.com/news/2025/10/10/china-tightens-export-controls-on-rare-earth-metals-why-this-matters
[8]Reuters, 4 June 2025. https://www.reuters.com/business/autos-transportation/some-european-auto-supplier-plants-shut-down-after-chinas-rare-earth-curbs-2025-06-04/
[9]Aditi Shah, 18 June 2025, Reuters. https://www.reuters.com/world/india/india-file-ev-hopes-hit-by-china-rare-earths-curbs-2025-06-18/
[10]Trade in Goods with China, 10 April 2026. EUROSTAT. https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20260410-2
[11]EU Traded Relations with China, *European Commission.* https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/china_en

minerals/elements: 46.8% of total rare earth imports to Europe in 2025 came from China[12].

Chinese investment in Europe has also rebounded to a seven-year high, (but remains well below its mid-2010s peak) and is heavily concentrated in the EV supply chain[13]. On the investment front, Hungary remained the largest recipient of Chinese FDI in Europe in 2025, attracting €3.9 billion, followed by Germany with €2.5 billion and France with €1.9 billion, while the total Chinese FDI flows to Europe in 2025 reached €16.8 billion. The automotive sector received the most Chinese investment in Europe in 2025, totalling €7.6 billion, and the majority of this investment went into the EV supply chain[14].

The political drive to de-risk is therefore partly a reaction to the fact that, so far, the commercial relationship has actually become more lopsided, not less. Germany illustrates this dilemma very well. China was Germany's largest trading partner from 2016 to 2023. Although the United States overtook China in 2024, China regained its position as Germany's largest trading partner in 2025. In 2025, Germany's exports to China fell by 9.7%, while imports increased by 8.8%, underscoring the growing trade imbalance between the two countries[15]. Germany's automotive and chemical sectors have strong ties with China, making Germany more cautious about aggressive trade measures. German carmakers have also opposed some EU measures because of their dependence on the Chinese market and concerns about possible Chinese retaliation[16]. Germany's position, therefore, reflects the broader challenge that Europe faces: Europe wants to reduce its dependence on China, but its economy is deeply connected with Chinese trade.

Therefore, the problem in front of Europe is that its commercial and economic relationship has become asymmetric, depending as it does on China for strategic goods. At a press conference following the meeting of the European Council in June 2026, President Ursula von der Leyen highlighted that imports from China to the EU in the past 5 years had increased by 45%, and for the first time all member states had a trade deficit with China[17]. She argued that Europe needed to avoid such dependencies that could potentially be weaponised for strategic or economic leverage.

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[12] EUROSTAT, 29 June 2026. https://ec.europa.eu/eurostat/web/products-eurostat-news/w/ddn-20260629-1

[13] Chinese FDI in Europe 2025, *Rhodium Group and MERICS.* https://merics.org/en/report/chinese-investment-rises-7-year-high-chinese-fdi-europe-2025-update

[14] Ibid.

[15] Rana Taha, 20 Feb 2026, *DW News.* https://www.dw.com/en/china-overtakes-us-to-become-germanys-top-trading-partner/a-76057129

[16] Byford Sang, 28 January 2026, "Don't Look Down", *European Council on Foreign Relations.* https://ecfr.eu/publication/dont-look-down-how-europeans-can-escape-chinas-clean-tech-gravity/

[17] President's Statement, 19 June 2026. https://ec.europa.eu/commission/presscorner/detail/pl/statement_26_1401

Europe De-risks, China Pushes Back

Europe's efforts to de-risk from China are increasingly being backed by tougher trade measures. These include tariffs up to 35.3% on Chinese EVs[18], anti-dumping duties, and scrutiny of Chinese companies under the EU's Foreign Subsidies Regulation[19]. China has not stayed quiet. In June 2026, Xinhua[20] argued that European de-risking could undermine Europe's own interests and warned that if the EU continued imposing economic and trade restrictions on China, Beijing would take countermeasures. Meanwhile, Chinese Foreign Ministry officials argued that European companies were continuing to deepen their presence in China, pointing to survey findings that 68% were maintaining or expanding their operations there as a rebuttal to the European de-risking narrative[21]. Yet the same picture is more complex. According to the European Chamber of Commerce in China's 2026 survey, 68% of European businesses said that doing business in China had become harder[22]. At the same time, 94% regarded China as an important sourcing destination, citing factors such as speed of delivery, cost and quality. This captures the tension at the heart of Europe's de-risking strategy: reducing strategic dependencies while preserving the considerable economic benefits of engagement with China.

In response to the growing use of unilateral sanctions, trade restrictions and extraterritorial measures, Beijing has established various countermeasures, including the "Unreliable Entity List"[23] (2020) and the "Blocking Rules"[24] (2021). More recently, in April 2026, Chinese Premier Li Qiang[25] signed a State Council decree promulgating the "Regulations on Countering Foreign States' Unlawful Extraterritorial Jurisdiction Measures". These rules empower the Chinese government to impose countermeasures, create a malicious-entity list and prohibit Chinese organisations and individuals from assisting in any investigation or probe by Western nations.

And the impact of these countermeasures is visible in practice. In May 2026, China's Ministry of Justice said that the EU's anti-subsidy probe into a Chinese company called Nuctech constitutes "unlawful extraterritorial jurisdiction" and threatened to take

[18]European Commission Website, 12 January 2026. https://policy.trade.ec.europa.eu/news/commission-issues-guidance-document-submission-price-undertaking-offers-battery-electric-vehicles-2026-01-12_en
[19]Foreign Subsidies Regulation, European Commission. https://competition-policy.ec.europa.eu/foreign-subsidies-regulation_en
[20]Xinhua, 10 June 2026. https://english.news.cn/20260610/5301f98ee4ec4bedafc4a69f1117531a/c.html
[21]Global Times, 4 June 2026. https://www.globaltimes.cn/page/202606/1362755.shtml
[22]EU Chamber's 2026 Survey, 29 May 2026, *China Briefing*. https://www.china-briefing.com/news/eu-chamber-china-2026-business-confidence-survey/
[23]Ministry of Commerce of China, 19 September 2020. https://english.mofcom.gov.cn/Policies/GeneralPolicies/art/2020/art_1889a24134054b5b841134c3fba44654.html
[24]Ministry of Commerce of China https://english.mofcom.gov.cn/Policies/GeneralPolicies/art/2021/art_98677d0ed28b41b9adeff27b00c9d001.html
[25]"China issues rules on countermeasures against foreign states' unlawful extraterritorial jurisdiction", 14 April 2026, *Ministry of Justice of the People's Republic of China*. https://en.moj.gov.cn/2026-04/14/c_1175638.htm

firm countermeasures against such actions[26]. In another incident Beijing instructed Chinese entities not to comply with parts of an European investigation into JD.com's proposed acquisition of Germany's Ceconomy, arguing that the EU was improperly applying its laws beyond its jurisdiction[27]. A regulatory tussle, if ever there was one.

China has used such economic and regulatory measures against other powers too. In 2010, it restricted export of rare-earth minerals to Japan after a dispute over the Senkaku/Diaoyu Islands[28]. More recently, in response to the US's export controls on advanced semiconductors and semiconductor manufacturing equipment, China restricted exports of gallium and germanium in 2023 and antimony in 2024, demonstrating its willingness to retaliate against perceived coercion by restricting access to strategically important products[29]. This shows Beijing's ability to combine legal measures, restrictions on cooperation with foreign investigations and control on critical exports as a response to Western actions that it perceives as threatening. This creates a broader risk for the EU: efforts to reduce dependence on China could prompt Chinese restrictions on European companies, supply chains, or access to strategic materials.

From Dependence to Diversification: The China+1 World

Europe's response has therefore been of diversification rather than complete severance of ties with China. The EU is trying to reduce concentration in strategic supply lines through domestic manufacturing, stockpiling, strategic partnerships, and new trade relationships. The 2023 European Economic Security Strategy called for reassessing risks, re-examining regulations on inbound and outbound investments, and fully implementing export-control regulations[30]. Similarly, in a speech by Ursula von der Leyen at the European China Conference in November 2023[31], she said, "And we are building our de-risking strategy upon three pillars. First, defence of our legitimate economic interests. Second, dialogue to address our differences. And third, diversification with our partners."

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[26]Xinhua, 15 May 2026.
https://english.news.cn/20260516/2e4aa42122c048ed870f72b68c71fab5/c.html
[27]Reuters, 19 August 2026.
https://www.reuters.com/business/retail-consumer/china-orders-entities-not-assist-eus-jdcom-probe-2026-08-19/
[28]Reuters, 23 September 2010.
https://www.reuters.com/article/markets/commodities/china-bans-rare-earth-exports-to-japan-after-row-nyt-idUSSGE68M051/
[29]FTI Consulting, 19 December 2023.
https://www.fticonsulting.com/insights/articles/chinas-export-controls-critical-minerals-gallium-germanium-graphite
[30]Joint Communication to the EUROPEAN PARLIAMENT, the EUROPEAN COUNCIL and the COUNCIL on "EUROPEAN ECONOMIC SECURITY STRATEGY"
https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=JOIN:2023:20:FIN
[31]Speech by EU President at European China Conference 2023, MERICS.
https://merics.org/en/speech-ursula-von-der-leyen-european-china-conference-2023c

To that end, the EU is building relationships with multiple countries, depending on the sector. This is particularly visible in critical minerals, where the EU has established 15 strategic partnerships with resource-rich countries and, through its RESourceEU initiative, is seeking to deepen cooperation with countries including Australia, Canada, Chile, Greenland, Kazakhstan, Uzbekistan and Ukraine[32]. The EU's Critical Raw Materials Act (CRMA)[33], whose supply-diversification objectives were reinforced by the broader commitments made at the 2026 Evian G7 Summit[34], sets clear objectives for EU supply security: by 2030, the EU should have the capacity to extract 10%, process 40% and recycle 25% of the strategic raw materials it consumes. In parallel, the EU aims to ensure that no single third country accounts for more than 65% of its annual consumption of any strategic raw material.

The statement ascribed to the European Commision spokesperson at a press briefing in June 2026 is particularly revealing: 'our ultimate aim is to de-risk, not decouple from China, and to diversify our trade relationships to the extent that we are not dependent on China in any area of trade'[35].

Europe is not alone in moving towards de-risking in critical sectors. Australia's Critical Minerals Strategy 2023–2030[36] promotes domestic mining, processing and downstream manufacturing, alongside stronger partnerships with like-minded countries. Japan is pursuing similar objectives through institutions such as the Japan Organization for Metals and Energy Security (JOGMEC)[37], which supports investment, stockpiling and diversification of mineral supplies. South Korea, meanwhile, is an active member of the US-initiated Minerals Security Partnership (MSP)[38] and has stepped up its critical-minerals diplomacy with resource-rich countries in Southeast Asia, Africa and Central Asia. These measures reflect a broader global shift towards diversifying critical supply chains, reducing excessive dependencies and strengthening resilience against economic coercion.

This approach has come to be known as the "China+1" or "China+many" strategy. India can be an important beneficiary of this strategy but faces competition from MERCOSUR, Vietnam, and other ASEAN countries such as Malaysia, Singapore,

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[32] RESourceEU Action Plan, *European Commission*. https://single-market-economy.ec.europa.eu/document/download/e9ac2181-0dc7-4e61-a964-ba0a39c2aea8_en

[33] Critical Raw Mineral Act, European Commission. https://single-market-economy.ec.europa.eu/sectors/raw-materials/areas-specific-interest/critical-raw-materials/critical-raw-materials-act_en

[34] G7 Leaders' declaration on securing supply chains for critical minerals, G7 Website. https://www.elysee.fr/en/G7evian/2026/06/17/g7-leaders-declaration-on-securing-supply-chains-for-critical-minerals

[35] Press Briefing, *European Commission Website*, 30 June 2026. https://audiovisual.ec.europa.eu/en/media/video/I-292127

[36] Critical Minerals Strategy 2023-30, *Department of Industry, Science and Resources, Australia Government*. https://www.industry.gov.au/publications/critical-minerals-strategy-2023-2030

[37] JOGMEC Website. https://www.jogmec.go.jp/english/about/overview.html

[38] The Korea Times, 7 June 2024. https://www.koreatimes.co.kr/foreignaffairs/20240607/yoon-set-to-visit-turkmenistan-kazakhstan-and-uzbekistan-next-week

Indonesia and the Philippines. After more than two decades of negotiations, the EU-Mercosur trade agreement entered into force in May 2026, making Latin America an important partner in Europe's push for diversification[39]. Latin American countries are major producers of critical raw materials like lithium, graphite, and nobium, which makes the partnership strategically important for Europe. In Southeast Asia, Vietnam has emerged as a leading "Plus 1" destination for many companies and countries within the larger China+1 strategy. The EU and Vietnam have already signed an FTA in 2020, and a recent joint document[40] states that both sides seek to promote 'trade and investment in goods, services, and technologies that support sustainable mining and processing' for critical minerals, as they eye closer cooperation in the sector. Vietnam is a major player in chip packaging, testing and assembling, hosting operations by Intel and Amkor Technology, among others. The EU and the Philippines are also seeking to improve ties, and have relaunched the FTA negotiations and upgraded their relationship to an Enhanced Partnership in July 2026[41], in an effort to expand cooperation across different sectors.

Therefore, there is a limit to the India opportunity. Europe is diversifying across several countries and regions, not relying on India alone. India can benefit as supply chains shift, but its success will depend on reliable infrastructure, competitive costs, stable policies, a predictable and less burdensome regulatory environment, and access to European markets. In short, it will depend on the ease of doing business in India. A second caveat is that Europe is not politically monolithic on China. A 2024 report by the European Think Tank Network (ETNC)[42] examined various European states and the United Kingdom and found substantial variation in how governments implemented de-risking. Germany has deep industrial ties with China and therefore seeks to avoid an aggressive de-risking which might trigger potential retaliation. During his visit to China in February 2026, German Chancellor Friedrich Merz acknowledged that the rising trade deficit was 'unhealthy' but sought to improve cooperation and dialogue between the two nations[43]. Meanwhile, countries like France and Italy, among others, are pushing for more assertive policies and trade defences. French President Emmanuel Macron has gone further, arguing that the EU 'must take

[39]Fernanda Magnotta, 29 April 2026, *Americas Quarterly.* https://www.americasquarterly.org/article/why-the-eu-mercosur-deal-matters-in-a-fragmented-world/

[40]Francesco Guarascio, 28 January 2026, Reuters. https://www.reuters.com/world/asia-pacific/eu-vietnam-agree-boost-work-minerals-chips-trusted-5g-draft-document-says-2026-01-28/?

[41]European Union Website, 28 July 2026. https://www.eeas.europa.eu/delegations/philippines/eu-and-philippines-upgrade-their-relations-enhanced-partnership_en

[42]Report by European Think-Tank Network (ETNC), 2024. https://merics.org/en/report/national-perspectives-europes-de-risking-china

[43]Press Statement by Federal Chancellor in Beijing, 25 February 2026. https://www.bundesregierung.de/breg-de/aktuelles/statement-kanzler-peking-2408662

protective measures and safeguards' and calling for a 'European equivalent of Section 301".[44]

Therefore, Europe's de-risking is not a uniform policy. It is rather a strategic direction in which Europe wants to move forward. Brussels may advocate for diversification, resilience and economic security, while member states and companies maintain substantial commercial ties with China. Europe, is more likely to adopt a targeted risk reduction strategy, particularly in critical technologies, infrastructure and raw materials, rather than completely breaking ties with China.

India's Rising Strategic Importance

India's importance is rising because of its large and expanding market, growing technological capabilities, working-age population and strategic position in the Indo-Pacific. As the EU diversifies supply chains beyond China, India is becoming an increasingly attractive partner for investment, digital cooperation, clean technology and strategic goods. The recently concluded EU-India FTA (January 2026) has provided the economic foundation needed to strengthen this partnership. The EU and India first launched negotiations for an FTA in 2007, but the talks were suspended in 2013 due to differences over market access, ambition, services, and sustainable development. The negotiations were relaunched in 2022 and concluded on 27th January 2026[45]. India has secured preferential access across 97% of EU tariff lines, covering approximately 99.5% of trade value, with particularly significant gains for textiles, apparel, leather, footwear, chemicals, pharmaceuticals and other labour-intensive sectors. For Europe, major gains are expected in agri-food, chemicals, pharmaceuticals, machinery, medical devices, automotive and avionics, with India reducing tariffs that currently reach 22% on chemicals and 110% on motor vehicles[46]. Significantly, it is one of the largest trade agreements concluded anywhere in recent years('the mother of trade deals') spanning goods, services, investment, digital trade and regulatory cooperation.

The strategic dimension is provided by the EU-India Trade and Technology Council (TTC). At its third meeting in Brussels on 15 July 2026, the India-EU Trade and Technology Council expanded cooperation on semiconductors, artificial intelligence, quantum technologies, high-performance computing, 6G, clean technologies and resilient value chains[47]. Significantly, the two sides also agreed to begin formal

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[44]"Macron calls for US-style trade powers to protect strategic EU sectors", *Politico*. 22 May 2026. https://www.politico.eu/article/emmanuel-macron-eu-section-301-strategic-sectors/

[45]India–EU Free Trade Agreement Concluded: A Strategic Breakthrough in India's Global Trade Engagement, 27 January 2026, Press Information Bureau. https://www.pib.gov.in/PressReleasePage.aspx?PRID=2219065&reg=3&lang=1

[46]Ibid.

[47]Joint Statement on the 3rd meeting of TTC, Ministry of External Affairs, 15 July 2026.

negotiations on India's association with Horizon Europe, the EU's flagship research and innovation programme. Semiconductors matter because cooperation can extend beyond chip imports to research, design, testing, packaging, standards and supply-chain integration. In May 2026, India and the EU launched a €15.2 million joint initiative under the TTC to develop advanced EV-battery recycling technologies, including material recovery, digitalised collection systems and pilot-scale projects[48].

However, turning this potential into reality will not be straightforward. India still faces several regulatory and structural hurdles, including compliance with the EU's Carbon Border Adjustment Mechanism (CBAM), differences in data-protection and privacy rules, differences in intellectual-property standards, and the EU's strict sanitary and phytosanitary (SPS) standards. Addressing these challenges will be important for reducing trade frictions and creating the conditions for deeper EU–India economic integration.

At the same time, India has established such partnerships beyond Europe too, like the India-US TRUST initiative, which builds on the earlier Initiative on Critical and Emerging Technology (iCET)[49] and focuses on semiconductors, AI, defence technologies and other critical and emerging technologies, and the more recent India-Australia Partnership on Cyber, Critical Technologies and Supply Chains (PACTS)[50], aimed at strengthening supply-chain resilience and national and regional security. India, therefore, is emerging as an important player on the global stage and can gain significantly from ongoing de-risking.

China's Retreat Creates a New Challenge for India

Europe's de-risking will not automatically benefit India. As Europe diversifies, China will try to export more to other markets. For example, the influx of cheaper Chinese steel in Indian markets has made it harder to make profits[51]. This creates a paradox: India can benefit from Western diversification away from China while facing stronger Chinese competition at home. This can also affect other sectors like electronics, machinery, batteries, solar equipment, etc., where China has a stronghold. India will therefore have to compete with Vietnam and other ASEAN countries for European investment while also managing competition from cheap Chinese imports at home.

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https://www.mea.gov.in/bilateral-documents?dtl/41465
[48]Press Information Bureau, 6 May 2026.
https://www.pib.gov.in/PressReleaseIframePage.aspx?PRID=2258320&lang=2&reg=48
[49]Rudra Chaudhuri and Konark Bhandari, 23 October 2024, *Carnegie Endowment for International Peace.* https://carnegieendowment.org/research/2024/10/the-us-india-initiative-on-critical-and-emerging-technology-icet-from-2022-to-2025-assessment-learnings-and-the-way-forward
[50]Press Information Bureau, 9 July 2026.
https://www.pib.gov.in/PressReleasePage.aspx?PRID=2282692&reg=3&lang=1
[51]Neha Arora, 21 July 2026, Reuters.
https://www.reuters.com/world/china/indian-steelmakers-pivot-home-europe-tightens-imports-china-squeezes-margins-2026-07-21/

Thus, India will need a balanced approach: trade-defence measures to manage competition and building domestic capabilities to improve competitiveness. India's Production Linked Incentive Scheme (PLI)[52] is a step in this direction. By March 2026, programmes across 14 sectors had attracted over ₹2.4 lakh crore in investment and created more than 14 lakh jobs. However, India also needs to work on developing infrastructure, a strong supply network, skilled workers and reducing regulatory hurdles.

Conclusion

Europe is de-risking, not decoupling. Despite the push for diversification and reducing dependence on China, the European Union imported €559.4 billion in goods from China while exporting €199.6 billion, creating a €359.8 billion trade deficit in 2025[53]. The political drive to de-risk is therefore partly a reaction to the fact that, so far, the commercial relationship has actually become more lopsided, not less. However, this strategy faces Chinese retaliation, divergent views on de-risking among European nations and Europe's significant dependence on the US. This creates a significant opportunity for India through the FTA, the TTC, semiconductor cooperation and battery-recycling partnerships. Yet India faces competition from faster moving ASEAN rivals, while cheaper Chinese goods could affect India's domestic market. Europe is not replacing China with India; it is seeking a more diversified economic architecture. India's opportunity is to become an important part of that system, but realising this potential will depend on execution by both sides: India improving competitiveness, infrastructure, logistics and regulatory predictability, and Europe translating its diversification strategy into greater market access, investment and concrete economic partnerships with India. In short, both sides need to translate the promise of a 'historic year' for EU-India relations into action.

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[52]Press Information Bureau, 21 July 2026.
https://www.pib.gov.in/PressReleasePage.aspx?PRID=2287008&lang=2&reg=48&utm

[53]Trade in Goods with China 2025, *EUROSTAT.*
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