



India - Eurasian Economic Union FTA Negotiations

For Prelims: [Eurasian Economic Union](#), [Free Trade Agreement](#), [International North-South Transport Corridor](#), [Northern Sea Route](#)

For Mains: India's International Trade Policy and Bilateral/Multilateral Agreements, Strategic Economic Partnerships and Geopolitics (Russia, EAEU, BRICS)

[Source: PIB](#)

Why in News?

India and the [Eurasian Economic Union \(EAEU\)](#) have signed the **Terms of Reference (ToR)** to launch negotiations on a [Free Trade Agreement \(FTA\)](#), a move that comes after stalled trade talks with the United States and rising US tariff threats.

What is Eurasian Economic Union?

- **Nature:** EAEU is an international organization for regional economic integration with international legal personality.
- **Establishment:** EAEU was established via the **Treaty on the Eurasian Economic Union** (entered into force in 2015).
- **Member States:** Republic of Armenia, the Republic of Belarus, the Republic of Kazakhstan, the Kyrgyz Republic and the Russian Federation.
- **Headquarters:** Moscow, Russia.
- **Objectives:** The EAEU ensures free movement of goods, services, capital, and labor, promotes coordinated policies, modernizes member economies, enhances competitiveness, and supports stable development to raise living standards.



What is the Significance of EAEU to India?

- **Market Access:** An EAEU FTA gives India access to a **USD 6.5 trillion market**, expands exports in textiles, pharmaceuticals, engineering goods, and electronics, enhances competitiveness against non-market economies, and creates new opportunities for India's [Micro, Small and Medium Enterprises \(MSMEs\)](#).
- **Trade Diversification:** Partnership with the EAEU helps India **reduce dependence on the US and EU markets**, especially amid **tariff disputes**.
 - It will strengthen the India-EAEU economic partnership, with **bilateral trade reaching USD 69 billion in 2024, up 7% from 2023**.
- **Energy Security:** The EAEU offers abundant natural resources and energy vital for India's growth.
 - Through the EAEU, India can secure **long-term energy cooperation**, with Russia already supplying **35-40% of India's crude oil imports**.
- **Connectivity Boost:** Cooperation with the EAEU complements [International North-South Transport Corridor \(INSTC\)](#) and [Chennai-Vladivostok Corridor](#), reducing logistics costs and transit time.

What are the Challenges in India- EAEU Engagement?

- **High Trade Deficit with Russia:** India's trade deficit with Russia (the largest member of the EAEU) has surged from **USD 6.6 billion in 2021 to USD 58.9 billion in 2024-25**, driven largely by [hydrocarbon](#) imports.
- **Geopolitical Sensitivity:** A Russia-led trade deal may alarm [North Atlantic Treaty Organization \(NATO\)](#) and **Western allies**, requiring careful **strategic balancing**.
 - Deepening trade with Russia carries geopolitical risks due to [US and EU sanctions over Ukraine](#), while rising imports could further escalate pressure from US tariffs, which are currently at **50% on Indian goods**.
- **Domestic Industry Concerns:** Cheap imports from Russia and other EAEU countries (oil, metals, etc.) may **threaten Indian producers**, requiring safeguards or quotas.
- **Low FTA Utilization:** India's **FTA utilization is low at around 25%**, far below the 70-80% seen in developed countries, reflecting underuse of its trade agreements.
- **Non-Tariff Barriers:** These include **bureaucratic delays, complex customs procedures**, and regulatory issues that can hinder the free flow of goods and services.
- **Sanitary and Phytosanitary Standards:** Indian agricultural exports often face difficulties due to the **strict sanitary and phytosanitary (SPS)** standards imposed by the EAEU countries, making it harder for Indian products to meet market entry requirements.
- **Dependency on Dollar:** Trade between India and the EAEU still relies heavily on the US dollar, creating uncertainty due to currency fluctuations. **Efforts to use the rupee-ruble mechanism are still limited and lack liquidity**.
 - The absence of **efficient cross-border payment systems**, especially with Russia under sanctions, increases financial complexities and transaction costs.

How can India-EAEU Engagement Be Strengthened?

- **Programme of Economic Cooperation:** Finalize and implement the **2025-2030 Programme of Economic Cooperation with Russia** and extend it to all EAEU members to strengthen ties in energy, agriculture, industry, education, and culture.
- **Diversify Export Mix:** Expand into pharmaceuticals, agriculture, textiles, machinery, and services to reduce dependence on hydrocarbons.
- **Financial Mechanism Innovations:** Scale up use of local currencies (rupee, ruble). Develop and standardize [Local Currency Settlement \(LCS\) frameworks](#) supported by sufficient liquidity, to reduce dependency on USD.
- **Multilateral Economic Outreach:** Engage with [BRICS](#), and revive [RIC \(Russia-India-China\)](#), and other regional blocs to broaden trade alliances and diversify supply chains.
- **Boost Connectivity:** Enhance logistics via the INSTC, [Northern Sea Route](#), and Chennai-Vladivostok Corridor.

Drishti Mains Question:

Q. Evaluate the strategic and economic significance of India's engagement with the Eurasian Economic Union (EAEU) in the current geopolitical scenario.

UPSC Civil Services Examination, Previous Year Questions (PYQs)

Prelims

Q. Recently, India signed a deal known as 'Action Plan for Prioritization and Implementation of Cooperation Areas in the Nuclear Field' with which of the following countries? (2019)

- (a) Japan
- (b) Russia
- (c) The United Kingdom
- (d) The United States of America

Ans: (b)

Q. The term 'Regional Comprehensive Economic Partnership' often appears in the news in the context of the affairs of a group of countries known as (2016)

- (a) G20
- (b) ASEAN
- (c) SCO
- (d) SAARC

Ans: (b)

Q. With reference to the 'Trans-Pacific Partnership', consider the following statements: (2016)

1. It is an agreement among all the Pacific Rim countries except China and Russia.
2. It is a strategic alliance for the purpose of maritime security only.

Which of the statements given above is/are correct?

- (a) 1 only
- (b) 2 only
- (c) Both 1 and 2
- (d) Neither 1 nor 2

Ans: (d)

Mains

Q. What is the significance of Indo-US deals over Indo-Russian defence deals? Discuss with reference to stability in the Indo-Pacific region. (2020)