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India and EU to Grant Each Other MFN Status for Five Years Under Trade Deal

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Republic of India and the European Union (EU) have agreed to grant each other Most Favoured Nation (MFN) status for five years as part of the India-EU Free Trade Agreement (FTA) that was finalised on 27 January 2026 after nearly two decades of negotiations.

Key provision:

Under the MFN clause in the proposed trade deal, neither side can offer more favourable tariff concessions or trade terms to other trade partners without extending the same benefits to the other party during the five-year period once the FTA comes into force, reinforcing non-discriminatory trade practices.

Trade deal context:

The FTA is expected to reduce or eliminate tariffs on the majority of goods exchanged between India and the EU, enhancing market access for both sides.

The agreement also includes commitments to abide by World Trade Organization (WTO) principles, cooperation in digital trade, customs facilitation, and aligning food safety and certification processes with international standards.

What is Most Favoured Nation (MFN) Status?

MFN status is a principle in international trade under WTO rules that requires a country to grant the same trade advantages (like low tariffs) it gives to any one trading partner to all WTO members — ensuring non-discrimination in tariff treatment.

Purpose of MFN in FTAs:

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While MFN is a standard WTO obligation, in the context of an FTA, a mutual MFN clause means neither party can give better tariff treatment to a third country without offering equal terms to the FTA partner for a set period (here five years). This prevents preferential treatment leakage and strengthens the deal's stability.

India–EU Free Trade Agreement:

The India–EU FTA was concluded on 27 January 2026 after nearly 20 years of negotiations.

The pact aims to significantly boost bilateral trade, joining markets worth over USD 11 trillion and covering 93% of Indian exports to the EU duty-free.

Certain sensitive agricultural products such as dairy, rice, sugar and beef have been excluded from tariff liberalisation to protect domestic sectors.

WTO and Trade Rules:

The World Trade Organization (WTO) oversees global trade norms, including the MFN principle. However, FTAs are exceptions to MFN under WTO as they allow participating members to offer preferential treatment to each other. The India-EU deal's time-bound MFN clause is an additional bilateral commitment.

European Union – Key Facts

Establishment & Evolution

Established by the Maastricht Treaty (1993), officially called the Treaty on European Union.

Originated from the European Economic Community (EEC) formed in 1957 (Treaty of Rome).

Purpose: Promote economic integration, political cooperation, and peace in Europe.

Membership

Currently consists of 27 member countries.

The United Kingdom left the EU in 2020 through Brexit.

Headquarters: Brussels, Belgium.