IGEP Consult Newsletter Q2 2026

Trade, Industry & Sustainability Bulletin

Beyond Rare: India's Rare Earth imperative

Dear Readers,

Rare earth elements may be limited in occurrence, but their strategic importance is rapidly expanding. Essential to electric vehicles, renewable energy, electronics, defence and advanced manufacturing, these 17 elements have become central to the global race for technological and industrial competitiveness.

China's decades-long investment across mining, processing, refining and magnet manufacturing has given it a dominant position in the global rare-earth supply chain. Its ability to produce at low costs has pushed several international competitors out of the market, leaving countries such as India vulnerable to external supply and price pressures.

India possesses significant rare-earth resources and produces around eight of the 17 elements. **Indian Rare Earths Limited (IREL)** was established to develop these strategic resources, yet stalled mining projects, regulatory delays, outdated technology and institutional gaps continue to limit its potential. Its Tamil Nadu facility, for instance, has reportedly been operating at around 50% capacity due to the absence of an allocated mine. IREL has also lacked a full-time CMD since 2024, while its independent-director positions remain vacant.

India must now move beyond extraction towards processing, refining and domestic magnet manufacturing. Strengthening partnerships with resource-rich economies such as **Australia and Chile** can further diversify supply chains and enhance access to critical minerals.

The rare-earth challenge is ultimately a question of **economic resilience and strategic autonomy**. With its resource base and growing industrial capabilities, India has the foundations to become a significant player. What is required now is decisive policy action, stronger institutions and a coordinated strategy to transform India from a **price taker into a value creator**.

Contents

01 | Why India is a preferred Manufacturing Partner of Europe

50M+	30–50%	1,800+	€30B+
Skilled workers under 25	Lower labour cost vs China	German companies in India	Annual India-Germany trade

The China+1 Imperative

The strategic recalibration of global supply chains, accelerated by COVID-19 disruptions, US-China trade tensions, and geopolitical risks, has made the China+1 strategy a boardroom priority for European multinationals. India, with its large skilled workforce, democratic governance, English-language proficiency, and growing infrastructure, stands out as the most viable alternative.

Sectors Driving India's Manufacturing Rise

Sector	India's Competitive Position
Electronics & Semiconductors	PLI-driven growth; Apple, Samsung, and global EMS firms scaling up
Engineering & Precision Parts	World-class clusters in Pune, Coimbatore, and Ludhiana
Automotive Components	ACMA member firms supplying to 25+ countries; EV component pivot underway
Textiles & Apparel	India as an ethical sourcing alternative; GI-tagged handicrafts gaining traction
Green Manufacturing	Renewable energy equipment, EV batteries, and sustainable packaging
Pharmaceuticals	World's largest generic medicine supplier; EU GMP-certified facilities

Advantages for European Companies

- Young, trainable workforce of 50+ million people under 25
- Competitive labour costs — 30–50% lower than China
- Robust IP protection framework post-2017 legal reforms
- India-EU FTA (BTIA) negotiations gaining new momentum in 2025
- PLI incentives available for foreign-linked domestic manufacturing

Strategic Note

European companies that establish sourcing or manufacturing partnerships with Indian firms now will be better positioned as India's infrastructure and logistics costs continue to fall through 2030.

2 |ESG & Sustainability Compliance: Preparing Indian Business for Europe

The European Union has enacted a suite of sustainability regulations that directly affect non-EU companies seeking to do business in Europe. The CSRD, CBAM, and EUDR collectively represent the most comprehensive trade-linked sustainability framework in history.

Key Regulations Affecting Indian Exporters

Regulation	Impact on Indian Exporters
CBAM (Carbon Border Adjustment Mechanism)	Carbon cost on imports of steel, cement, aluminium, fertilisers, hydrogen (fully active 2026)
CSRD (Corporate Sustainability Reporting Directive)	Mandatory sustainability reporting for companies with EU supply chain links
EUDR (Deforestation Regulation)	Due diligence on commodities linked to deforestation
CSDDD (Corporate Sustainability Due Diligence Directive)	Human rights and environmental due diligence across value chains

Supply Chain Transparency

European buyers increasingly demand Scope 1, 2, and 3 emissions data from their suppliers. Indian exporters in sectors like textiles, chemicals, and metals must begin tracking and disclosing their carbon footprint to remain competitive.

Action Plan for Indian Businesses

- Conduct a baseline ESG maturity assessment against EU standards
- Adopt internationally recognised sustainability certifications (ISO 14001, SA8000, GRS)

- Invest in energy efficiency and renewable energy to reduce Scope 1 emissions
- Establish traceability mechanisms for raw material sourcing
- Engage with IGEP Consult and EU-supported programmes for capacity building

03 | India Trade Data — Department of Commerce

A first-quarter read on India's foreign trade, April–June 2026 (Q1 FY2026-27): record combined exports, a widening merchandise gap, and the markets doing the heavy lifting.

APRIL 2026	MAY 2026	JUNE 2026
$80.80B	**$81.96B**	**$73.45B**
Total exports · +13.6% YoY	Total exports · +15.8% YoY	Total exports · +9.5% YoY

Q1 FY27 TRADE REVIEW | *Source: Ministry of Commerce & Industry, GoI*

India closed the first quarter of FY 2026-27 with its best-ever April–June performance on record. Combined merchandise and services exports reached an estimated US$ 232.73 billion, up 11.37% from US$ 208.98 billion in the same quarter last year — the highest first-quarter export figure the country has posted for any financial year. The headline is good news for exporters. The fine print is less comfortable: imports grew even faster, pulled up by costlier crude and a gold-buying spree, and the overall trade deficit for the quarter widened to roughly US$ 37 billion, against about US$ 21 billion a year earlier.

The Quarter at a Glance

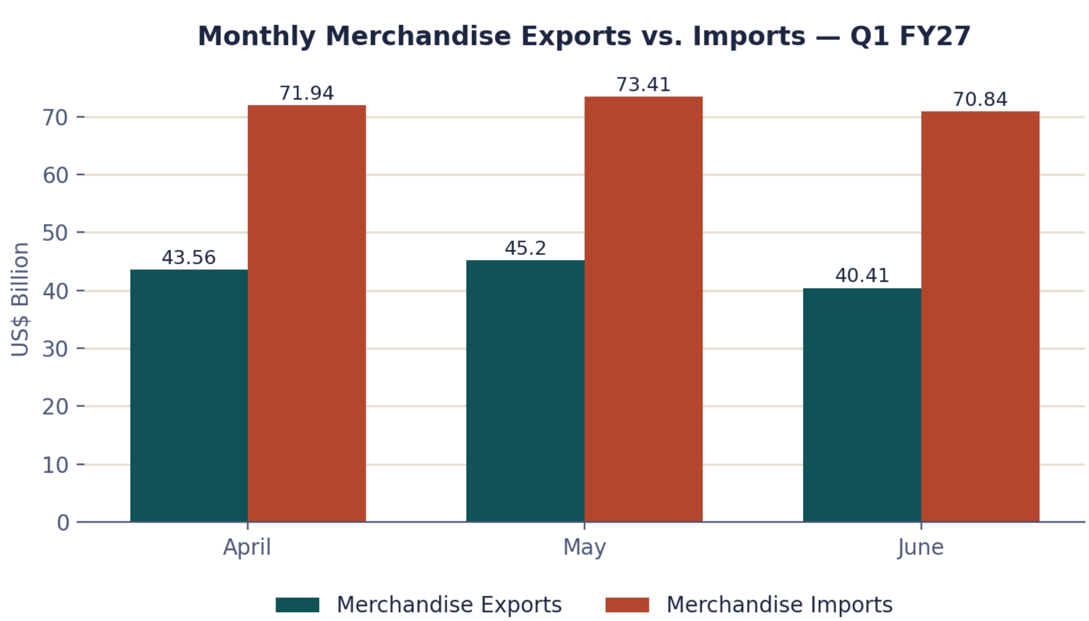

Fig. 1 — Monthly merchandise exports vs. imports, April–June 2026 (US$ billion)

The pattern across all three months: exports grew at a healthy double-digit clip every month, but imports grew faster in every single one — a gap that shows up directly in the widening monthly trade deficit chart below.

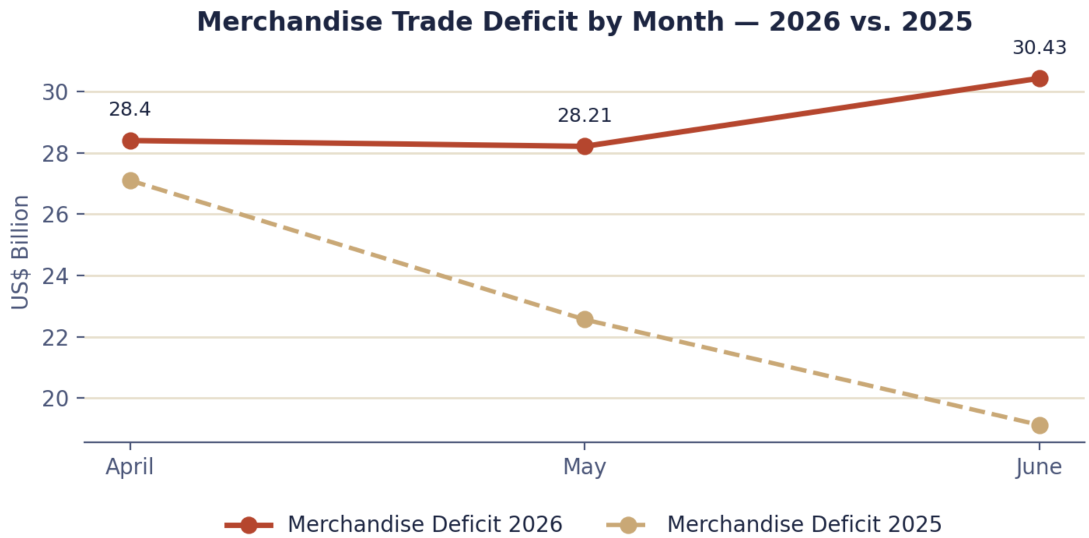

Fig. 2 — Merchandise trade deficit by month, 2026 vs. 2025 (US$ billion)

Month by Month

APRIL 2026

Deficit narrowed

Total exports $80.80B (+13.6%) · Total imports $88.61B (+7.7%) · Overall deficit fell to $7.81B from $11.16B a year ago — the quarter's best showing on the balance.

MAY 2026

Exports peak, gap reopens

Merchandise exports hit a record $45.20B (+18%), but merchandise imports jumped 20.6% to $73.41B. Overall deficit widened to $10.51B.

JUNE 2026

Deficit widest of the quarter

Merchandise exports $40.41B (+15.5%) vs. imports $70.84B (+31%) — merchandise deficit hit $30.43B, the widest for any June on record, largely on costlier energy imports.

SERVICES, QUIETLY STEADY

The cushion

Services exports ran ~$33–37B a month through the quarter, consistently outpacing services imports of ~$17–19B — a steady surplus that softened the merchandise gap each month.

Who's Buying More Indian Goods

Year-on-year export growth to selected markets, Q1 FY27

Sri Lanka	+124.6%	Mexico	+21.5%
Tanzania	+146.9%	Germany	+12.2%

Singapore	> 2x	**United Kingdom**	+11.1%
China	+27.5%	**ASEAN (region)**	+66.9%
Australia	+25.1%	**Africa (region)**	+53.1%

Together, ASEAN and Africa alone added more than US$ 7.6 billion in incremental exports over the same quarter last year — a sign that India's export base is diversifying beyond its traditional Western anchors, even as the United States remained the single largest destination for the quarter.

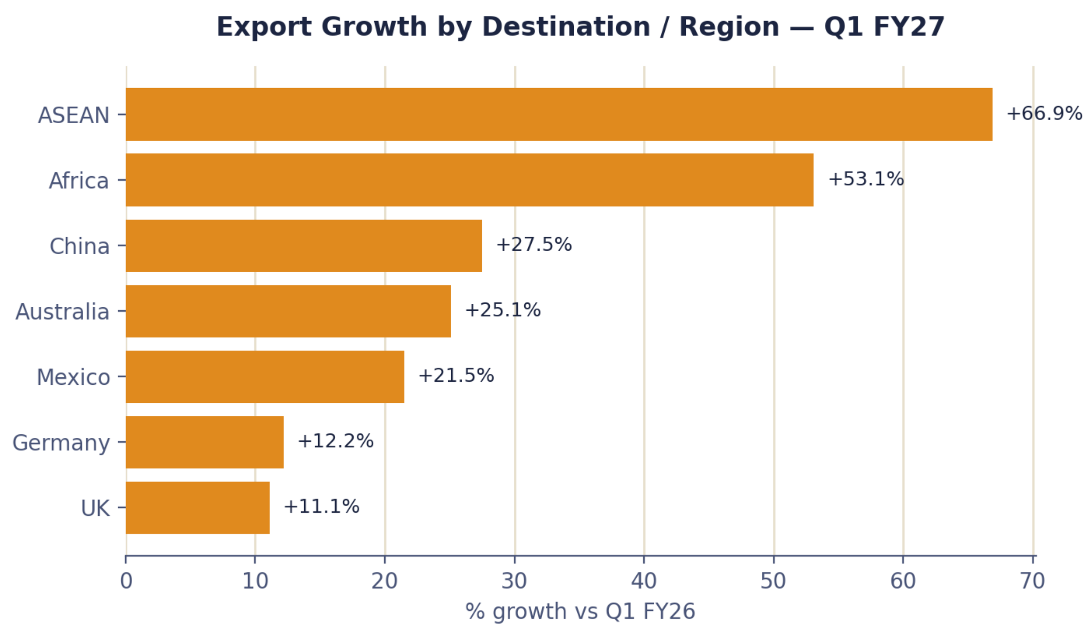

Fig. 3 — Export growth by destination/region, Q1 FY27 vs. Q1 FY26 (%)

What's Driving the Numbers

On the export side, growth stayed broad-based rather than concentrated in one sector. Petroleum products, electronic goods, engineering goods, meat/dairy/poultry and pharmaceuticals were repeat drivers across the quarter, alongside pockets of standout growth:

Electronic goods +40.3% (Apr) | Engineering goods $12.3B, +24.5% (May) | Other cereals +210% (Apr) | Whole cardamom & black tea — strong quarter | Marine products, up steadily

On the import side, the story is energy and gold. Oil imports surged over 50% in May as crude hovered near $100 a barrel, pressured by Middle East disruptions and tariff-driven shifts away from Russian barrels. Gold imports for the quarter jumped to US$ 11.01 billion, up from US$ 7.49 billion a year earlier — a jump big enough on its own to move the deficit needle. Electronic goods import also rose sharply, reflecting continued demand for components feeding India's own electronics manufacturing.

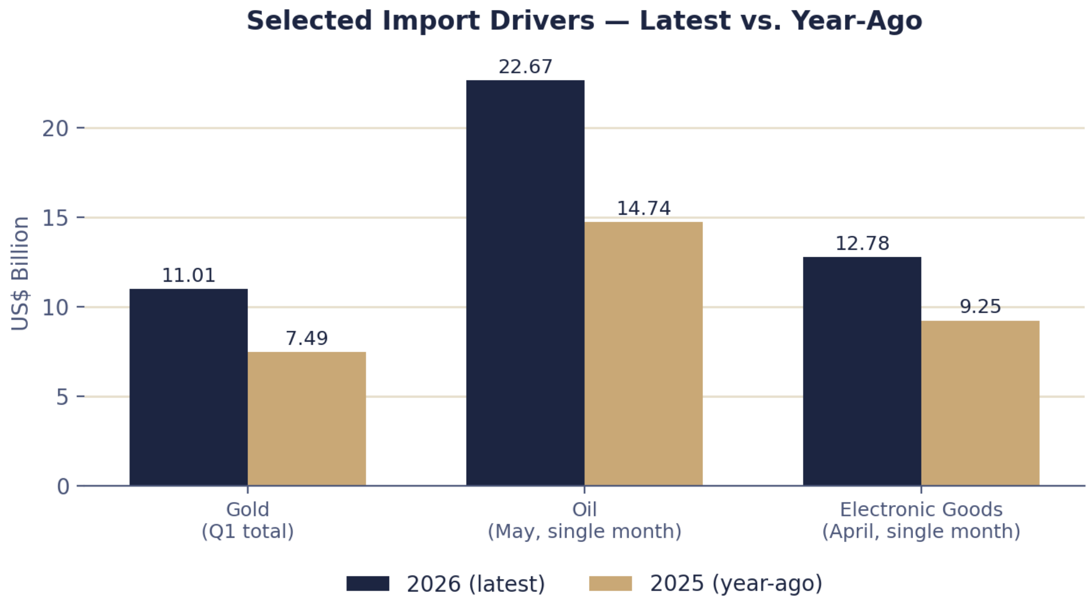

Fig. 4 — Selected import categories, Q1 FY27 vs. Q1 FY26 (US$ billion)

The Takeaway

India is exporting more than it ever has in a first quarter — that part is unambiguously good news, and it's broad-based across geographies and sectors rather than a one-off spike. But the import bill, driven chiefly by energy prices and gold, is climbing even faster, and the merchandise trade deficit for the quarter is running close to $87 billion, with the overall (goods + services) gap near $37 billion. The services surplus continues to do quiet, essential work cushioning the headline numbers — without it, the picture would look considerably less comfortable. The next data point to watch: whether softer global crude prices and the outcome of ongoing US trade talks ease the import bill in Q2, or whether the gap keeps widening into the second quarter of the fiscal year.

04 | ISES 2020 Certification — Growth, Benefits & EU Leverage

The ISES 2020 (Indian Sustainable Enterprise Standards 2020) Certification is a comprehensive sustainability and corporate governance certification framework for Indian enterprises. It encompasses environmental management, social compliance, ethical business conduct, and governance standards.

Recent Growth of the Certification

The ISES 2020 Certification has seen notable growth, with uptake particularly strong among export-oriented SMEs seeking to strengthen their credentials with European buyers. Sectors with the highest certification uptake include textiles, food processing, leather, engineering components and pharmaceutical intermediates.

How EU Members Can Leverage the Certification

Procurement Assurance

Treat ISES 2000 as a pre-qualification indicator when onboarding Indian suppliers, reducing due diligence burden.

CSDDD Compliance Support

The social compliance module helps Indian suppliers demonstrate alignment with EU CSDDD requirements.

ESG Reporting

Certified companies generate annual sustainability disclosures aligned to GRI and BRSR frameworks.

Risk Reduction

Sourcing from ISES 2000 certified enterprises reduces supply chain risk exposure for European importers.

For European Buyers

IGEP Consult can provide a registry of ISES 2000 certified Indian enterprises by sector and geography. European companies are invited to specify their sourcing criteria to receive a targeted match.

05 | A CSR Initiative for Rural India's Children

The Indo-German & European Partnership (IGEP) Trust is deeply committed to creating positive social and developmental impact through structured Corporate Social Responsibility initiatives, aligned with India's CSR mandate under the Companies Act 2013.

Current CSR Initiatives

Skill Development	IGEP Consult runs skill development programmes targeting youth from economically weaker sections — covering industrial welding, CNC machine operation, electrical maintenance and spoken English for export-sector employment across Delhi NCR, Rajasthan and Maharashtra.
Women Entrepreneurship	A mentorship and micro-finance linkage programme for women entrepreneurs in craft, food processing and textile micro-enterprises, connecting them with European buyers through ethical trade channels. Over 300 women-led enterprises supported in two years.
Environmental Awareness	Environmental awareness drives at industrial clusters, focusing on waste segregation, energy efficiency and compliance with India's Extended Producer Responsibility norms.
Cultural Exchange	Cultural exchange programmes between Indian artisans and European design schools, preserving traditional crafts while opening global market opportunities.

Future CSR Directions

IGEP Consult intends to scale its CSR programming through EU co-funding mechanisms, including Horizon Europe partnerships and bilateral development cooperation under the European External Action Service (EEAS) framework.

06| Brazil Embassy Visit India Food Sector Opportunities

IGEP Consult representatives engaged in a productive meeting at the Brazilian Embassy to explore emerging opportunities in India-Brazil food trade and agribusiness cooperation — underscoring the growing strategic importance of this bilateral relationship following the landmark February 2026 state visit.

India–Brazil Food Trade Opportunities

Product / Area	Opportunity
Soybean and Soy Products	Brazil's soy expertise complements India's protein deficit
Sugar and Ethanol	Knowledge exchange on flex fuel and sugarcane technology
Tropical Fruits and Juices	Brazilian exotic fruits finding growing urban Indian demand
Coffee	Brazilian specialty coffee entering India's premium cafe segment
Agricultural Technology	Precision farming, crop protection and seed technology exchange
Food Processing Equipment	Brazilian equipment manufacturers targeting India's food industry growth

Diplomatic Framework

The February 2026 state visit resulted in a range of bilateral agreements including the landmark rare earth MoU, frameworks for agricultural cooperation, food safety standard harmonisation and investment promotion in agribusiness. A dedicated India-Brazil Agribusiness Business Council is expected to be formalised in 2026.

Establishing a Brazilian Food Hub in India

A key highlight of the discussions was the vision presented by **Sambandh Brasil**, which aims to establish a dedicated hub in India for authentic Brazilian food and agricultural products. The initiative seeks to create a centralized platform for importing, showcasing and distributing a diverse range of Brazilian products—including specialty coffee, tropical fruit products, beverages, grains and other value-added food items, to the Indian market. By strengthening market access and supply chain connectivity, the proposed hub is expected to facilitate greater trade between Indian buyers and Brazilian producers, while meeting the growing demand for premium international food products in India. This initiative complements the broader objective of enhancing India–Brazil agribusiness cooperation and creating long-term commercial partnerships between the two countries.

07 | Meeting with Smt. Meenakshi Lekhi — Diplomatic & Cultural Outreach

Creating Global Opportunities Through Strategic Partnerships

As global economies evolve and industries become increasingly interconnected, the demand for a skilled, internationally competent workforce has never been greater. Germany, Europe's largest economy, is currently experiencing an unprecedented shortage of skilled professionals across sectors including engineering, healthcare, information technology, advanced manufacturing and industrial services. Addressing these workforce challenges requires long-term international partnerships that combine quality training, industry readiness and structured talent mobility.

Recognising these opportunities, IGEP Consult held a strategic meeting with **Smt. Meenakshi Lekhi**, former Union Minister of State for External Affairs and Culture, to discuss initiatives aimed at strengthening India–Germany cooperation in workforce development, international skilling and sustainable talent mobility. The discussions reflected a shared vision of creating structured pathways that enable skilled professionals from India and neighbouring countries to access meaningful employment opportunities while contributing to Germany's growing demand for qualified talent.

Beyond addressing labour shortages, the meeting underscored the importance of building a collaborative ecosystem where governments, educational institutions, industry partners and international organisations work together to prepare a globally competitive workforce capable of supporting long-term economic growth in both countries.

A Visionary Leader for International Cooperation

The success of any international initiative depends not only on strong institutions but also on visionary leadership. Smt. Meenakshi Lekhi's distinguished career in public service, law and diplomacy makes her exceptionally well suited to contribute to initiatives that require collaboration across governments, industries and international stakeholders.

A Senior Advocate of the Supreme Court of India before entering public life, Smt. Lekhi has consistently combined legal expertise with policy development and governance. As a Member of Parliament and later as the Union Minister of State for External Affairs and Culture, she played an important role in advancing India's diplomatic engagement with partner countries and strengthening international cooperation through strategic dialogue, cultural diplomacy and bilateral partnerships.

Throughout her ministerial tenure, she represented India at numerous international forums, fostering stronger political, economic and cultural relationships while promoting India's global interests. Her work focused on building sustainable partnerships that extend beyond government-to-government engagement, encouraging collaboration between businesses, academic institutions, development organisations and civil society.

This unique blend of legal acumen, diplomatic experience and policy leadership makes her an ideal partner for initiatives focused on international workforce mobility. Programmes involving cross-border skilling, recognition of qualifications, institutional partnerships and international employment require a nuanced understanding of both domestic policy frameworks and global cooperation—an area where Smt. Lekhi's experience provides invaluable guidance.

Preparing Skilled Professionals for Global Careers

One of the central themes of the meeting was the creation of structured workforce development programmes that align Indian skills with international industry requirements.

Germany's demographic changes and expanding industrial base continue to create significant demand for skilled professionals across multiple sectors. At the same time, India possesses one of the world's youngest and fastest-growing workforces. Bridging these complementary strengths requires more than simply facilitating overseas employment it requires developing comprehensive training ecosystems that prepare candidates for international careers before they leave their home country.

The discussions focused on strengthening collaboration in manpower training, business facilitation and talent mobility through structured programmes that equip participants with internationally recognised competencies, technical expertise, language preparedness and an understanding of workplace standards expected by European employers.

Such initiatives have the potential to benefit not only individual professionals but also industries in both countries by ensuring access to a reliable pipeline of highly skilled, job-ready talent.

Strengthening Institutional Partnerships

The meeting also explored opportunities to deepen institutional collaboration with the **Schleswig-Holstein Business Development Corporation (WTSH)**. As one of Germany's leading business development agencies, WTSH plays an important role in supporting economic cooperation, business partnerships and workforce integration.

Collaboration with WTSH would help create a more comprehensive support ecosystem for skilled professionals relocating to Germany, ensuring that workforce mobility extends beyond recruitment to include integration, professional development and long-term career success.

By bringing together Indian training institutions, German industry, government agencies and business development organisations, these partnerships can establish sustainable frameworks that benefit employers, professionals and both economies alike.

Looking Ahead

The meeting concluded with discussions on formalising future cooperation through a Memorandum of Understanding (MoU), followed by a proposed German delegation visit to further advance the initiative.

IGEP Consult remains committed to working alongside its Indian and German partners to strengthen international skilling, workforce development and sustainable talent mobility. By fostering collaboration between governments, educational institutions and industry, these initiatives aim to build a globally competitive workforce while creating meaningful opportunities for skilled professionals across the region. As India and Germany continue to deepen their strategic partnership, initiatives such as these demonstrate the transformative potential of international cooperation. Through shared expertise, innovation and a common commitment to human capital development, both nations are laying the foundation for a stronger, more resilient and future-ready workforce that will contribute to sustainable economic growth for years to come.

08 | Tim Alter (OAT) Visits India — Road Infrastructure Opportunities

Tim Alter, a senior representative of **OAT (Organisation for International Road Transport and Infrastructure Technologies)**, recently visited India to explore strategic partnerships in road infrastructure, transport technology and sustainable mobility solutions. During his visit, he engaged with key stakeholders from the public and private sectors to understand India's rapidly evolving infrastructure landscape and identify areas where European expertise can contribute to ongoing and future projects.

India's Road Infrastructure Boom

*India is executing one of the world's largest road infrastructure programmes, targeting the construction of **25 km of national highways per day**, backed by investments exceeding **INR 10 lakh crore** under the **PM Gati Shakti National Master Plan**. This unprecedented expansion presents significant opportunities for international collaboration in advanced road engineering, intelligent transport systems and sustainable infrastructure development.*

Areas of Interest Discussed with OAT

Road Surface Technology Warm-mix asphalt, recycled pavement materials and long-life pavement design.	**Smart Highways** IoT sensors, variable message signs, automated toll systems and connected vehicle infrastructure.
Road Safety European best practices in road design, signage, barriers and accident reduction strategies.	**Green Roads** Carbon footprint measurement of road construction and sustainable materials sourcing.

Future Collaboration

The visit laid the foundation for a long-term partnership between Indian and European stakeholders in the road infrastructure sector. Discussions focused on facilitating technology exchange, promoting knowledge-sharing initiatives and connecting Indian organisations with OAT's extensive network of European companies specialising in road construction, intelligent transport systems, road safety, traffic engineering and sustainable mobility solutions.

A formal **Memorandum of Understanding (MoU)** is currently under consideration to strengthen institutional cooperation, while a follow-up delegation to Europe is being planned to showcase advanced road infrastructure projects, innovative transport technologies and best practices in highway management. IGEP Consult will continue to facilitate this engagement, fostering collaboration that supports innovation, sustainability and the modernisation of India's transport infrastructure.

09 | Rare Earth Policy — India–Brazil MoU & Global Supply Chain Realignment

69%	90–92%	7.23M	₹7,280cr
China's global REE mining share	China's refining capacity	Tonnes REO in India's reserves	India REPM scheme outlay

The Global Rare Earth Context

Rare earth elements — a group of 17 metallic elements — are the invisible foundation of the modern technology economy. They are critical to electric vehicles, wind turbines, smartphones, defence systems, semiconductors and guided missiles. China's dominance over supply and refining has made diversification a geopolitical imperative for most major economies.

The India–Brazil Rare Earth MoU (February 2026)

Indian Prime Minister Narendra Modi and Brazilian President Luiz Inácio Lula da Silva signed a Memorandum of Understanding on Critical Minerals and Rare Earth Elements during President Lula's state visit to New Delhi on 21 February 2026 — making the India-Brazil partnership a strategically complementary pairing for breaking China's near-monopoly on global REE supply.

*image belongs to times of India

Parameter	Detail
Signatories	Government of India & Government of Brazil
Date	21 February 2026, New Delhi
Nature	Non-binding Memorandum of Understanding

Focus Areas	Reciprocal investment, exploration, mining, AI applications, geological surveys
Strategic Goal	Diversify global REE supply chains away from Chinese dominance
Brazil's Position	World's 2nd-largest REE reserves
India's Position	World's 3rd-largest REE reserves; growing processing ambition

Opportunities for European Engagement

- Technology Investment: European firms with REE processing, magnet manufacturing and separation technology have natural partners in India's emerging REPM ecosystem
- Joint Ventures: EU-India-Brazil triangular cooperation models for REE mining and processing are under active consideration
- Supply Chain Security: European OEMs in automotive, aerospace and clean energy can secure diversified REE supply by engaging India and Brazil
- Research Collaboration: Horizon Europe funding can support joint R&D in REE recycling, substitution materials and processing efficiency

> **Strategic Significance**
>
> *India's rare earth partnerships with Brazil and Canada signal a maturing recognition that 21st-century sovereignty depends as much on supply chain control as on territorial security. For Europe, engaging India as a reliable REE partner offers both supply security and a vehicle for advancing the Global South-anchored resource governance agenda.*

10 | Meeting with Trade Counsellor — Sri Lanka High Commission

Strengthening India–Sri Lanka Commercial Cooperation

As part of IGEP Consult's continued efforts to strengthen international partnerships and promote regional economic cooperation, **Mr. Javed Yunus,** Senior Advisor **and Ms. Sharda S. Subramaniam** met with **Mr. Kapila J. Kumara, Minister Counsellor (Commercial), High Commission of Sri Lanka**, for a meaningful discussion on enhancing bilateral trade, investment and institutional collaboration between India and Sri Lanka

About Mr. Kapila J. Kumara

Mr. Kapila J. Kumara serves as the **Minister Counsellor (Commercial)** at the High Commission of Sri Lanka in New Delhi. In this role, he is responsible for promoting bilateral trade and investment, facilitating commercial cooperation, supporting business delegations and strengthening economic ties between Sri Lanka and India. He works closely with government agencies, industry associations and private-sector stakeholders to identify new opportunities for trade, investment and institutional collaboration between the two countries.

Discussion Highlights

- Enhancing bilateral trade and investment opportunities
- Fostering stronger business-to-business connections
- Identifying potential avenues for collaboration between Indian and Sri Lankan enterprises
- Knowledge sharing, cultural understanding and institutional cooperatio

Key Outcomes

- Both parties acknowledged the importance of building sustainable partnerships that contribute to economic growth and regional development.
- Discussions also highlighted the significance of knowledge sharing, cultural understanding and institutional cooperation in creating long-term value for businesses.
- Various opportunities for future engagements, trade delegations and collaborative initiatives were discussed with enthusiasm.