India – New Zealand Free Trade Agreement

Mains: *GS II – Bilateral Trade | GS III – Economy*

Why in News?

Recently, India and New Zealand have just concluded negotiations for a forward-looking FTA, marking a historic milestone in bilateral economic relations.

What is India – New Zealand Free Trade Agreement (FTA)?

- **FTA** – A Free Trade Agreement (FTA) is a pact between two or more countries to lower or eliminate barriers to trade, like tariffs (taxes) and quotas.
- It makes it easier and cheaper to exchange goods, services, investments, and intellectual property across borders, fostering economic ties and opposing protectionism.
- These agreements create a predictable, transparent environment, benefiting businesses by reducing costs and increasing market access globally, with specifics varying but generally covering customs, regulations, and IP.
- **India-New Zealand FTA** – The Agreement delivers unprecedented duty-free access for Indian exports to New Zealand while:
  - Safeguarding India's sensitive sectors,
  - Strengthening economic resilience, and
  - Promoting inclusive growth aligned with India's national priorities.
- **Background** – India and New Zealand announced negotiations for a Free Trade Agreement (FTA) In March 2025.
- Following several rounds of negotiations, the India-New Zealand FTA was concluded in December 2025, becoming *one of India's fastest-concluded FTAs.*
- This FTA enhances *market access and tariff preferences* for Indian exports to New Zealand, while serving as a *gateway to the wider Oceania and Pacific Island markets.*

What are the India – New Zealand bilateral trade ties?

- **Merchandise Trade** – Grew from USD 873 million in 2023–24 to USD 1.3 billion in 2024–25, registering a 49% growth.
- **Merchandise Exports to New Zealand** – Rose to USD 711 million in 2024–25, showing a positive trend of 32%.
- In 2024-25, the exports from India to New Zealand was higher than imports from New Zealand, maintaining positive trade balance with the country.
- **Services Trade** – India's services exports to New Zealand grew by 13% in 2024, reaching USD 634 million. Major sectors include travel, IT, and business services.

What are the areas of cooperation and Gains to India from FTA?

- **Enhanced Market Access for Indian Goods –** New Zealand's market access offer covers immediate elimination of duties (zero duty) on 100% of tariff lines of New Zealand (8,284 tariff lines), from Entry into Force.
- New Zealand maintained tariffs around 10% in around 450 lines of key Indian exports in products including textile/apparel products, leather and headgear, ceramics, carpets, automobiles and auto components.
- Additionally, the average applied tariff at 2.2% in 2025 will become zero from EIF.
- The offer extends gains to several products and sectors
    - Labour intensive sectors like textiles and clothing, leather and footwear;
    - Emerging and advanced engineering sectors like transport/auto, pharmaceuticals, plastic & rubber, electrical & electronic machinery, mechanical machinery, chemicals and;
    - Agri Products like fruits and vegetables, coffee, spices, cereals, processed foods
- **Gains from import to support domestic industries** – Wooden logs, coking coal, waste and scrap of ferrous, non-ferrous metals.
- **Gains for Agriculture, Technology Cooperation, and Farmer Income Growth –** New Zealand have agreed on focused Action Plans for kiwifruit, apples, and honey to improve productivity, quality, and sectoral capabilities of these fruits growers in India
    - The cooperation includes:
    - The establishment of *Centres of Excellence*,
    - Improved planting material,
    - Capacity building for growers,
    - Technical support for orchard management,
    - Post-harvest practices,
    - Supply chains and food safety.
- Projects for premium apple cultivators and sustainable beekeeping practices will enhance production and quality standards.
- This is paired with Market access for the selected agricultural products *(Apples, Kiwifruit, and Manuka Honey)* from New Zealand in India.
- This access will be managed through a Tariff Rate Quota (TRQ) system with Minimum Import Price and seasonal imports, ensuring consumer choice while protecting domestic farmers.
- All TRQs are linked to *Agri-technology Action Plans* and monitored by a *Joint Agriculture Productivity Council*, balancing market access with protection of sensitive domestic agricultural sectors.

What are the Enhanced Opportunities beyond Goods?

- **Services** – Commitment across 118 services sectors, with Most-Favoured Nation (MFN) treatment in 139 sectors.
- **Health & Traditional Medicine Annex** – For the first time, New Zealand has signed an annex to facilitate trade in Ayurveda, yoga, and other traditional medicine services with India.
- This landmark provision promotes the global recognition of India's AYUSH systems, supports medical value travel, encourages collaboration in wellness services, and

reinforces India's position as a global hub for health, wellness, and traditional medicine services.

- It gives centre stage to India's AYUSH disciplines (Ayurveda, Yoga & Naturopathy, Unani, Sowa-Rigpa, Siddha, and Homeopathy) alongside Maori Health practices
- **Student Mobility** – New Zealand signed *Annex on Student Mobility and Post Study Work Visa* for the first time with any country.
- Indian students can work up to 20 hours per week while studying, even if there are policy changes in future, with extended post-study work visas.
- **Professional Pathways** – A quota of 5,000 visas for skilled Indians for stay upto 3 years in the sectors of interest to India.
- This include Indian iconic occupations (AYUSH practitioners, Yoga Instructors, Indian Chefs, and Music Teachers) and Other sectors of interest - IT, Engineering, Healthcare, Education, and Construction
- **Working Holiday Visa** – 1,000 young Indians annually can avail multiple entry in New Zealand for a period of 12 months.
- These provisions create unprecedented opportunities for Indian youth and professionals to gain global exposure.

Investment and Economic Co-operation
• **FDI Commitment** – New Zealand will invest **USD 20 billion in India over 15 years**, strengthening long-term economic ties. • **Organic Primary Products –** Mutual recognition of **organic certification** to be agreed between the two sides. • **MSME Cooperation** – Institutional linkages to help small businesses access trade-related information and global markets. • **Technical Assistance** – Cooperation has been agreed in AYUSH, audio visual industries, tourism, sports and traditional knowledge systems. • **Health collaboration** – The FTA promotes India's AYUSH systems internationally, encourages medical value travel, and positions India as a global wellness hub.

- **Cultural & Traditional Knowledge –** Dedicated cooperation in Ayush and Indian traditional knowledge has been agreed.
- Engagement with New Zealand's indigenous Maori communities to promote cultural exchange and mutual respect.
- This strengthens India's soft power and global recognition of its heritage.
- **Pharmaceuticals & Medical Devices** – Annexes for expedited regulatory pathways and recognition of inspections from trusted regulators (US, EU, UK, Canada).
- **Intellectual Property Rights** – Binding commitment by New Zealand to amend its laws within 18 months to provide EU-level protection for India's Geographical Indications (GIs).
- **Customs & Trade Facilitation** – Advance rulings, electronic documentation, and faster clearance times (within 48 hours, 24 hours for perishables).
- **Rules of Origin (ROO)** – Robust framework to prevent circumvention and ensure integrity of preferential access.
- **Sectoral Highlights –** The India–New Zealand FTA secures duty free or preferential access across a wide range of sectors.
- These gains are expected to boost India's exports, create jobs, and strengthen the competitiveness of Indian industries in the Oceania region.

What are India's global trade networks?

- **India's FTA with other countries** – It enhances competitiveness by *reducing or eliminating tariffs* and by improving market access for goods and services.
    - India -Oman Comprehensive Economic Partnership Agreement (CEPA), 2025
    - India -UK Comprehensive Economic and Trade Agreement (CETA), 2025
    - India-EFTA Trade & Economic Partnership Agreement (TEPA) with Switzerland, Norway, Iceland, and Liechtenstein, 2024
    - India- United Arab Emirates Comprehensive Economic Partnership Agreement (CEPA), 2022
    - India- Australia Economic Cooperation and Trade Agreement (ECTA), 2022
    - India – Mauritius Comprehensive Economic Cooperation and Partnership (CECPA), 2021

What lies ahead?

- The India–New Zealand Free Trade Agreement reflects a defining moment in India's trade diplomacy, opening new avenues for comprehensive economic cooperation.
- By securing improved market access for Indian goods, expanding opportunities in services and mobility, and deepening collaboration in agriculture, investment and emerging sectors, the Agreement delivers tangible and wide-ranging benefits across the economy.
- From farmers and MSMEs to students and skilled professionals, the gains from this Agreement are expected to be broad-based, reinforcing India's position as a trusted, forward-looking global partner and advancing the vision of a globally integrated Viksit Bharat 2047.

Reference

PIB| India – New Zealand FTA

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