India – New Zealand

Free Trade Agreement FTA

December 2025

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India – New Zealand Free Trade Agreement

❖ Executive Summary

On **22 December 2025** India and New Zealand announced the successful conclusion of a bilateral Free Trade Agreement (FTA) — described by officials as a fast-tracked pact and a cornerstone of deeper economic engagement between New Delhi and Wellington. The deal **aims to significantly liberalize goods and services trade, expand investment ties and improve mobility for students and certain professionals**, with headline claims **including tariff elimination or reduction for a large share of bilateral trade** and a New Zealand commitment to scale private investment in India.

Key quantitative features (publicly reported):

- New Zealand will reduce or eliminate tariffs on a large majority of its Import lines from India (**cited ~95%**; **many items duty-free immediately**). India has offered tariff liberalization on a substantial portion of New Zealand tariff lines—reports indicate 70% of Indian tariff lines will be liberalized, covering **~95% of bilateral trade in value terms**.
- A New Zealand pledge of up to **USD $20 billion** (reported) of investment in India over **15 years** was announced as part of the package (investment facilitation and commitments).
- Current two-way trade is modest **~US$1.8–2.5 billion** historically; officials aim to double bilateral trade within **five years (targets reported at ~US$5 billion)**

Sector winners likely include services (**education, travel / tourism, professional services**), **pharmaceuticals, textiles, horticulture (apples, kiwifruit), forestry/wood products** and **selected manufactured goods**.

Dairy — a politically sensitive sector — has been tightly defended; New Zealand has gained some processing/re-export arrangements but not full domestic market access for consumer dairy.

Political ratification risk is material in New Zealand (coalition tensions reported), and India retained protective measures for sensitive sectors **(spices, edible oils, portions of dairy).** This report models trade uplift scenarios, provides TAM/SAM/SOM for priority sectors and outlines policy and commercial implications for Indian exporters, New Zealand producers and multinational investors.

❖ Business / Agreement overview (what exactly was agreed)

Nature of the agreement: A bilateral Free Trade Agreement (FTA / Comprehensive Economic Cooperation) covering goods, services, investment, temporary movement of people (work/student mobility), government procurement, and cooperation on standards/regulatory issues. Negotiations started earlier in 2025 and concluded in December 2025 — described by officials as completed in a record nine months.

Headline commitments reported publicly:

- **Tariffs:** NZ to reduce/eliminate tariffs on most export lines to India (**estimates cite ~95% of NZ exports covered**). India to provide significant **duty-free access for Indian goods into New Zealand** (some officials directs 100% of Indian tariff lines will get zero duty — subject to phase-ins and exclusions for sensitive items). India has, however, ring-fenced certain sectors (dairy consumer imports, spices, edible oils) and introduced safeguards/quotas for sensitive items.

- **Services & mobility:** Expanded access for services suppliers, education and travel services facilitation; provisions for professional mobility and mutual recognition in some professions — plus specific arrangements on student visas and short-term mobility.

- **Investment:** Commitments and facilitation mechanisms to encourage New Zealand investment into India — media reported NZ$20 billion investment commitment over 15 years (likely a mix of private and institutional capital earmarked for Indian projects).

- **Safeguards & exclusions:** Explicit carve-outs for politically sensitive agricultural sectors in India (notably consumer dairy imports). Provisions permit limited processing/re-exporting arrangements by foreign firms under strict conditions.

- **Status:** Concluded 22 Dec 2025 — requires domestic parliamentary procedures in both countries (texts released / key facts posted by NZ MFAT and PIB). Parliamentary approval in New Zealand faces internal opposition from a coalition partner, creating the possibility of further domestic negotiation or conditionality.

❖ Industry and market analysis (TAM / SAM / SOM) - focused sectors

Sector	Impact on India	Impact on New Zealand	Estimated Economic Uplift (Annual, Yr 5–7)	Key Notes / Deal Mechanism
Dairy & Milk Products	Protected / Neutral	Moderate Positive	US$100–300m (NZ)	Processing-for-re-export only; consumer imports into India largely excluded
Agriculture & Horticulture	Moderate Positive	Strong Positive	US$300–600m (NZ)	Tariff cuts on fruits, horticulture; strong demand growth in India
Food Processing	Strong Positive	Strong Positive	US$500–900m (India output + NZ investment)	NZ FDI into Indian processing; value-added exports
Pharmaceuticals & Generics	Very Strong Positive	Moderate Positive	US$200–400m (India exports)	Near-zero duties, regulatory cooperation
Medical Devices & Healthcare	Moderate Positive	Moderate Positive	US$150–300m (two-way)	Procurement access, standards alignment
IT Services & Digital Trade	Very Strong Positive	Moderate Positive	US$400–700m (India services exports)	Services liberalization, professional mobility
Education Services	Moderate Positive	Extremely Strong Positive	US$700m–1.2bn (NZ)	Indian student inflows, visa facilitation
Tourism & Travel Services	Moderate Positive	Strong Positive	US$500–800m (NZ)	Outbound Indian tourism surge
Forestry & Wood Products	Moderate Positive	Strong Positive	US$250–500m (NZ)	Timber, pulp, processed wood exports
Textiles & Apparel	Strong Positive	Limited	US$200–350m (India exports)	Duty-free access into NZ market
Engineering Goods & Machinery	Moderate Positive	Moderate Positive	US$150–300m (two-way)	Industrial tariff reductions
Renewable Energy	Very Strong	Strong	US$800m–1.5bn	NZ capital & ESG-

& ESG Projects	Positive	Positive	(India capex impact)	aligned investments
Professional Services	Moderate Positive	Moderate Positive	US$150–250m (services trade)	Mobility & recognition provisions
Logistics & Supply Chain	Moderate Positive	Moderate Positive	US$120–200m (ancillary services)	Trade volume-driven demand
MSMEs / SMEs	Moderate Positive	Moderate Positive	US$100–200m (long-tail exports)	Preferential access, niche exports

❖ Financial analysis / macro-economic modelling (trade uplift scenarios)

Scenario	Annual bilateral trade (year 0)	Annual trade (year 5)	~CAGR	Notes
Conservative	US$2.1bn	US$3.0bn	7%	Limited ratification delays: protective measures remain; moderate services growth.
Base / Official target	US$2.1bn	US$5.0bn	18%	Successful implementation: services & investment liberalization deliver faster gains.
Ambitious	US$2.1bn	US$7.5bn	28%	Rapid integration, large NZ investment, supply-chain realignment, and spillover to Pacific markets.

Estimated direct GDP impact (India): Even at the base case, incremental exports to NZ of **~US$2.9bn by year 5 are small relative to India's GDP (~US$3.7+ trillion 2025), but sectoral impacts, job creation in priority sectors, and export diversification are the real strategic gains.** For New Zealand, a larger percentage GDP impact arises given its smaller economy (~US$250–350B range): doubling exports to India materially benefits Agri-processing, education receipts and services.

Investment inflow modelling: NZ commitment headline (NZ$20B), if realized as private and institutional capital over 15 years — would represent ~US$12–13bn and be a meaningful addition to India's external private financing, targeted at renewable energy, food processing, and supply-chain projects. Execution risk and allocation details will determine real impact.

❖ Variable module (policy sensitivity & tariff schedule impact)

For a sectoral policy module, we choose **agriculture & dairy** (highest political sensitivity and trade impact).

Tariff schedule & rules of origin (high-level)

- **NZ reduction/elimination:** reports cite tariff elimination on 95% of NZ exports to India, with many lines duty-free immediately; quotas/safeguards may apply for sensitive lines. India's liberalization reported at 70% of tariff lines, covering ~95% of trade value. The remaining lines include exclusions for dairy products, spices and edible oils.

Dairy specific arrangements

- **Processing for re-export:** NZ firms allowed to set up processing facilities in India for value-added dairy products strictly for re-export, rather than direct sales into the Indian consumer market. This is a compromise designed to protect India's dairy farmers while allowing foreign investment in processing & ingredient supply chains.
- **Safeguards: Tariff rate quotas (TRQs)**, seasonality measures and sanitary/phytosanitary (SPS) protocols are expected to be part of implementing rules — details to be published in annexes and during domestic consultations.

Economic impact sensitivity

- If India opens consumer dairy imports (low probability): NZ high-quality dairy exports could surge, adding **US$300–800M annually** to NZ exports — politically unlikely.
- Under processing/re-export model (likely): NZ ingredient and capital equipment exports + high-value re-exports could add **US$100–300M annually** to NZ exports while creating domestic processing jobs in India.

Implementation will hinge on annexes and administrative guidance (rules of origin, certification, SPS alignment). Market participants should monitor draft tariff schedules and phased liberalization timetables once published by both governments.

❖ Key risks (political, economic, implementation)

- **Domestic ratification & political risk (NZ):** A coalition partner (NZ First) has publicly opposed the deal; parliamentary approval is uncertain and could delay or require concessions. This is the single largest near-term execution risk.
- **Implementation complexity:** Tariff schedules, rules of origin, sanitary/phytosanitary rules and investment facilitation protocols can materially affect who benefits; ambiguous or stringent rules reduce market access.
- **Agriculture & social backlash (India):** Any perception of threats to smallholder farmers (e.g., dairy, spices) could trigger political pressure to withdraw or delay liberalization. India's negotiators appear to have ring-fenced sensitive products.
- **Trade diversion vs. trade creation:** Gains may reflect re-routing of existing trade rather than new demand; the net global welfare effect depends on supply-chain adjustments.
- **Investment realization risk:** Announced investment pledges need project pipelines and due diligence; headline NZ$20bn is conditional and may be spread over many years and projects.
- **Non-tariff barriers (NTBs):** Regulatory alignment in services and public procurement may be slower than tariff cuts; NTBs can blunt expected gains.

❖ Conclusion & Outlook

The India–New Zealand FTA concluded in December 2025 is strategically meaningful despite modest absolute trade volumes today. For New Zealand, the agreement opens a large consumer market (1.4bn population gateway) and offers meaningful liberalization for its goods and services — a potential structural uplift for agriculture, education and services exports. For India the pact provides duty-free access into an OECD-level market, services cooperation and a potential channel for investment attraction from NZ entities. The agreement's design liberalized on a high share of trade value while sensitive items are ring-fenced — reflects pragmatic politics on both sides.

Commercially, the most tangible short-term winners are services (education, travel), pharmaceuticals, certain manufactured goods and niche agrifood segments. Dairy remains the most politically charged topic; the FTAs carve-outs and processing-for-re-export approach are attempts to balance farmer protection with investment opportunities. Execution will determine outcomes: the timetable for tariff phase-ins, the details of rules of origin, procedural clarity on investment facilitation, and parliamentary ratification (notably in NZ) will all materially affect realization of the projected doubling of trade.

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