

INDIA AND N.Z. SEAL FREE-TRADE PACT

Deal marks regional push towards diversification and move to reduce reliance on major powers

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A free-trade agreement signed between India and New Zealand has marked yet another regional push towards diversification and away from overdependence on major powers.

The deal, which comes after 15 years of on-and-off negotiations, gained urgency in recent weeks as Indian exporters contend with the closure of the Strait of Hormuz and steep American tariffs that have rattled supply chains.

New Zealand, for its part, has been pursuing a strategy to reduce dependence on China, its largest trading partner, to mitigate risks caused by overconcentration in a single market, particularly as Beijing's economic growth slows. Australia and the United States are Auckland's next largest trading partners.

For New Delhi, the New Zealand deal comes ahead of a preliminary trade pact with

Washington that had been due to be sealed last month but has since been put off because of confusion over a US Supreme Court ruling that outlawed a swathe of import tariffs imposed by President Donald Trump. The US-Iran war has also overshadowed other policy matters.

India signed a free-trade agreement with the European Union earlier this year and another with Britain last year.

Commerce and Industry Minister Piyush Goyal and visiting New Zealand Trade and Investment Minister Todd McClay signed the new pact on Monday.

"This forward-looking pact will deepen economic engagement and broaden the scope of cooperation. Pivotal for businesses, the agreement will unlock new opportunities and support market diversification across sectors," said Anant Goenka, president of the Federation of Indian Chambers of Commerce and Industry.

The agreement provides duty-free access for 100 per cent of India's exports to New Zealand, potentially benefiting a number of small and medium-sized industries from textiles and leather to gems and jewellery.

The deal includes a US\$20 billion investment commitment from New Zealand over 15 years and provides 5,000 Temporary Employment Entry Visas for Indian professionals.

New Zealand's exporters will see tariff relief on wool, aluminium, kiwifruit and apples. Wine duties, currently at 150 per cent, will be cut by up to 83 per cent over a decade.

The pact was signed despite concerns raised within sections of New Zealand's coalition government that the deal fails to secure meaningful market access for the country's top export, dairy, even as it fully opens its market.

Concerns were also raised about making excessive labour market concessions to India, such as increased work rights for

students and specialised visas. As part of the deal, India has agreed to allow New Zealand firms to import dairy ingredients duty-free for processing and 100 per cent re-export.

Biswajit Dhar, a professor at Delhi's Council for Social Development, said ensuring that intermediate dairy goods did not circumvent rules to enter the domestic market would be a concern for Indian dairy farmers and co-operatives, and called for strong prevention mechanisms to ensure compliance.

With the New Zealand deal in place, Dhar said the logical follow-up would be for India to seal a similar deal with Australia, pointing to both Pacific countries' status as agricultural and dairy-exporting powerhouses and to Delhi's having signed an early harvest trade pact with Canberra.

Vivek Mishra, deputy director of strategic studies at the Observer Research Foundation, welcomed the deal, saying New Zealand stood to gain in the long term



Piyush Goyal presents a silver cow statue to Todd McClay.

given India's status as a rising economy with a large market and skilled professionals to support growth.

Data from global consultancy EY last year showed that India could become the world's second-largest economy in purchasing power parity terms by 2038.

Mishra said the new deal also strengthened Delhi's ability to negotiate with the US, one of its largest trading partners. A key sticking point in discussions has been Delhi resisting Washington's pressure to relax curbs on agricultural and dairy imports.

"It is a good signal to the US even as we are negotiating with them. It is a sign of intent that we

are prepared to sign deals with other countries even as we are negotiating with the US, which is turning out to be a more difficult conversation," Mishra said.

However, he noted the different negotiation templates, saying that the Trump administration expected countries to invest in the US whereas India's pact with New Zealand involved Wellington pledging investments into the South Asian nation.

In February, Trump said he would reduce US tariffs on Indian imports to 18 per cent from 25 per cent, days after Delhi signed a trade deal with the EU that was hailed as the "mother of all deals".

After the start of the US-Iran war, which has choked oil supplies, Washington also relaxed curbs on Russia's oil sales to India – an issue that had previously resulted in an additional import tariff of 25 per cent on India. This helped slash overall import duties on Indian goods from a peak of 50 per cent last year.

A high-level Indian trade delegation visited Washington last week to finalise an interim agreement.