

Forging Strategic Links: Advancing India-New Zealand Partnership



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**Forging Strategic Links:
Advancing India-New Zealand Partnership**

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Executive Summary

New Zealand, or Aotearoa in Māori, is a sovereign island country located in the southwestern Pacific Ocean. New Zealand is the second-largest economy in Oceania and member of the Organisation for Economic Co-operation and Development (OECD). The structure of New Zealand's economy has not changed significantly over the past few years. The services sector is the main contributor to GDP, with an estimated 71.6% share in 2021, followed by industry with 22.2% share and agriculture, forestry and fishing sector accounting for 6.2% of GDP.

The economic growth of New Zealand is expected to remain moderated in 2024 before picking up in 2025, driven by consumption. New Zealand is expected to gain some export traction in other markets due to new free trade agreements (FTAs) and multilateral trade partnerships.

Merchandise Trade of New Zealand

The total trade of New Zealand has fluctuated over the years. It has seen an overall increase from US\$ 79.1 billion in 2013 to US\$ 89.7 billion in 2023. Trade witnessed a decline during the COVID-19 period falling to US\$ 74.5 billion in 2020, before recovering to US\$ 93 billion post-COVID-19 in 2021 and peaking at US\$ 98.7 billion in 2022.

Exports growth have largely been muted over the course of the past decade, declining from US\$ 39.4 billion in 2013 to US\$ 37.1 billion in 2020. While it recovered eventually and peaked at US\$ 44 billion in 2023, it eventually settled at US\$ 39.8 billion, marginally above 2013 level. Similarly, imports also recovered post COVID, after declining to US\$ 37.1 billion in 2020 from record imports of US\$ 43.8 billion in 2018, and peaked at US\$ 54.7 billion in 2022, before settling at US\$ 50 billion in 2023.

The trade balance has largely remained in deficit (barring 2020 when a small surplus of US\$ 0.4 billion was recorded due to fall in imports) for New Zealand reaching an all-time high of US\$ 10.7 billion in 2022, owing to tepid growth in top export destinations resulting in sluggish demand for New Zealand's dairy and meat exports. Trade deficit narrowed to US\$ 10.2 billion in 2023.

The primary sector continues to be the most important contributor to New Zealand's export earnings. New Zealand's dependence on agricultural exports is evident from the composition of New Zealand's exports during the review period. Dairy products, meat products, edible fruits and nuts and wood and its articles continued to remain the major commodities in New Zealand's export basket in the last decade.

Mineral fuels, oils and products of distillation were the largest items in New Zealand's import basket, accounting for 14.6% of total imports in 2023, followed by vehicles other than railway or tramway (13.9%), machinery and mechanical appliances (13.6%), electrical machinery and equipment (9.0%) and optical, photographic, surgical and medical equipment (3.4%).

Services Trade of New Zealand

New Zealand's international trade in services has been severely impacted by border restrictions during the COVID-19. New Zealand's services trade has experienced significant fluctuations from 2013 to 2023. Exports of services saw a steady increase from US\$ 13.5 billion in 2013 to US\$ 18.1 billion in 2019, driven by strong performance in sectors such as personal travel and transportation. However, the COVID-19 pandemic in 2020 caused a dramatic decline, with exports plummeting to US\$ 12 billion in 2020 and further to US\$ 9.9 billion in 2021 due to global travel restrictions and reduced international demand. New Zealand eventually became net importer of services since 2020 from a net exporter earlier. By 2023, exports began to recover, reaching US\$ 15.5 billion.

Imports of services also followed an upward trend, growing from US\$ 12.7 billion in 2013 to US\$ 15.6 billion in 2019. The pandemic's impact led to a drop in imports to US\$ 11.4 billion in 2020, but unlike exports, imports rebounded quickly, rising to US\$ 17.2 billion in 2022 and US\$ 17.3 billion in 2023. The increase in imports can be attributed to strong domestic demand and the easing of international travel restrictions, which allowed for a resurgence in personal and business travel.

India's Bilateral Merchandise Trade with New Zealand

The total trade between the two countries crossed US\$ 1 billion for the first time in 2018 but remained below the US\$ 1 billion mark thereafter in spite of recovery in the post COVID period. Bilateral trade reached a peak of US\$ 998.4 million in 2022 before moderating again in 2023.

Despite these fluctuations, the trade balance with New Zealand has shown remarkable improvement, shifting from a deficit in the past years to a surplus since 2020, mainly reflecting the combination of India's strategic economic decisions and trade policies aimed at promoting export growth and reducing import dependency. The overall trends reflect India's growing export capabilities and successful bilateral trade strategies.

During the last 10 years, India's exports to New Zealand have shown a significant upward trend from 2013 to 2023, rising from US\$ 296.2 million to US\$ 509.4 million. This growth was particularly notable between 2017 and 2022, with a peak in 2022. Conversely, India's imports from New Zealand have generally decreased over the same period, falling from US\$ 634.4 million in 2013 to US\$ 392.4 million in 2023.

India's Bilateral Services Trade with New Zealand

A detailed analysis of the trends reveals a significant decline in the bilateral trade in services between India and New Zealand. After peaking to US\$ 1,046 million in 2017 from US\$ 450 million in 2013, total trade moderated to US\$ 390 million in 2023.

India's services imports from New Zealand (~ New Zealand's Services Exports to India) experienced a significant decline in the recent past, dropping from US\$ 848 million in 2017 to US\$ 169 million in 2022. Travel services,

in particular, personal travel for education-related services remained India's major services imports from New Zealand. Other sectors, such as personal, cultural and recreational services and telecommunications, computer and information services are other significant contributors.

India's services exports on the other hand (~ New Zealand's Services Imports from India) to New Zealand increased from US\$ 154 million in 2014 to US\$ 164 in 2019, and further to US\$ 198 million in 2020 in spite of the COVID pandemic. While services exports to New Zealand declined to US\$ 166 million, it quickly recovered in 2022 reaching a new peak of US\$ 221 million. Travel services, which accounted for 71% of India's services exports to New Zealand in 2022, were the main driver of India's services exports to New Zealand.

India's Revealed Comparative Advantage Analysis (RCA) and Trade Potential

India's Revealed Comparative Advantage Analysis and Trade Potential Revealed Comparative Advantage (RCA) is a measure which has been used extensively to help assess a country's export potential and competitiveness. It helps identify categories in which a country has a comparative advantage by comparing its trade scenario with that of the global trade. To identify the products based on their export competitiveness in New Zealand, a four-quadrant analysis has been undertaken based on the HS Code classifications at 6-digit level. This analysis involved calculating Normalized Revealed Comparative Advantage (NRCA) of India's exports to New Zealand, and mapping them against the global import demand of New Zealand. The quadrants are created by comparing the overall average annual growth rate (AAGR) of global imports of New Zealand for all products during 2013-2023, which was 3.2%, with the NRCA of India's exports to New Zealand of the same products during the same period. This way, the export competitiveness of India has been mapped with respect to New Zealand's demand, with a view to outline a market specific approach for exporters.

At 6-digit HS Code, with minimum exports of US\$ 500,000 from India to New Zealand, 182 products have been identified, with the total exports from India to New Zealand amounting to US\$ 390.4 million, while New Zealand's global imports covering the same products stood at US\$ 14.6 billion in 2023. Out of the 182 items at the HS 6-digit level, 122 items fell into the category of the product champions. The combined exports of these items from India to New Zealand were US\$ 274.8 million in 2023, representing approximately 70.3% of India's exports to New Zealand in 2023.

The total number of products in winners in declining sectors category is 48, with India's exports to New Zealand amounting to US\$ 96.3 million, constituting a share of 24.7% of India's exports to New Zealand in 2023. These are the product items in which India has attained a significant share in New Zealand's import basket, but New Zealand's import demand for these products has been falling in the last decade.

This was followed by underachievers with 9 items and India's exports worth US\$ 10 million to New Zealand. These products constitute a marginal share of 2.6% in India's total exports to New Zealand in 2023. These are the products in which import demand in New Zealand market is rising, but India currently does not have the required competitiveness in the export of these items. India can strive towards building capacities and capabilities in these identified products. These are the products in which India can diversify in the medium to long term to continue being a strategic trade partner to New Zealand.

The high volume of exports under the category of declining sectors underlines the urgent need for diversification to other sectors as well as industries which have greater scope for exports in the future. Thus, a shift needs to be made, from the declining sectors to the product champions in the short term and to

the underachievers in the medium to the long term, in order to make efficient utilization of resources and further enhance exports from India to New Zealand.

Foreign Direct Investment in New Zealand and Bilateral Investment with India

According to UNCTAD's World Investment Report 2024, New Zealand's inward FDI stock in 2023 reached US\$ 99.1 billion, increasing from US\$ 94.3 billion in the previous year and from US\$ 75.3 billion a decade ago, indicating strong foreign interest and confidence in New Zealand as an investment destination. The outward FDI stock of New Zealand in 2023, however, stood lower in 2023, at US\$ 17.5 billion, from the previous year's value of US\$ 18.6 billion.

According to Financial Times' fDi Markets, during January 2013 to December 2023, New Zealand received a total envisaged FDI capital expenditure of US\$ 26.1 billion for 728 projects, generating 46,709 jobs in the country. The maximum envisaged FDI capital expenditure in New Zealand for January 2013 to December 2023 was sourced from the US, accounting for 41.4% of total capex invested in the region. Australia was the second largest investor, contributing 17.3%, followed by the UK at 6.3%, China at 6.1% and Germany at 5.1%. India accounted for FDI capital expenditure amounting to US\$ 192.6 million, representing 0.7% of the total investment in New Zealand during the period.

New Zealand entities made a total outward envisaged FDI capital expenditure of US\$ 17.2 billion across 540 projects resulting in 38,085 jobs across the globe from January 2013 to December 2023. FDI outflows from New Zealand, which stood at US\$ 2.6 billion in 2013, moderated to US\$ 0.7 billion in 2021. However, FDI outflows recovered to US\$ 1.9 billion in 2022 and settled at US\$ 1.5 billion in 2023. In 2023, the economy witnessed a slight moderation with 44 projects and 2,906 jobs compared to 56 projects and 4,010 jobs in the previous year.

From January 2013 to December 2023, India made a total capital investment of US\$ 192.6 million in New Zealand across 14 projects, supporting 396 jobs in the country. In terms of capital investments made during 2013-2023, the largest share was in biotechnology (51.0% of Indian investments in New Zealand), software and IT services (34.0%), business services (13.0%), hotels and tourism (1.0%) and real estate (1.0%). The maximum number of projects were in software & IT services (22 projects), followed by business services (14) and consumer products (11) during the same period.

From January 2013 to December 2023, India received US\$ 2.6 billion in FDI from New Zealand, spread across 10 projects and supporting 4,530 jobs. The major investment came in the year 2014 with capex investments worth US\$ 2.5 billion. In March 2014, an investment of US\$ 2.5 billion was announced by New Zealand in the transportation & warehousing sector as part of the logistics, distribution & transportation project in India.

Way Forward

The bilateral relationship between India and New Zealand has entered a renewed phase of vigor, marked by efforts to strengthen trade, investment, and economic ties. Mutual Recognition Agreements (MRAs) present a vital pathway to reducing technical trade barriers, ensuring regulatory coherence, and enhancing trade efficiency across various sectors, including pharmaceuticals, agriculture, and automobiles. Specific MRAs between agencies like the Bureau of Indian Standards and Standards New Zealand can streamline certification processes, fostering smoother trade. Similarly, collaboration on sanitary measures, particularly for agricultural

and processed food products, can further optimize trade flows. These measures not only reduce costs but also deepen trust and cooperation between the two nations, fostering a robust trade ecosystem.

Enhanced civil aviation cooperation is another key area for strengthening ties. Establishing direct air connectivity between India and New Zealand can significantly boost tourism, facilitate cultural exchange, and ease travel for the diaspora. Steps like revising bilateral air service agreements, conducting market feasibility studies, and incentivizing airlines are critical to realizing this potential. Similarly, the agriculture and dairy sector offers immense scope for collaboration, with New Zealand's expertise in advanced dairy technologies complementing India's vast agricultural resources. This synergy can drive productivity, improve food security, and open new markets for high-quality agricultural and dairy products, benefiting both nations.

Information technology, education, and skill development represent promising avenues for bilateral engagement. While India excels in software development and IT services, New Zealand offers innovative digital solutions and cybersecurity advancements. Collaborative efforts in these areas can enhance technological capabilities and market reach. Additionally, New Zealand's high-quality education system and India's youthful population provide opportunities for academic exchanges, scholarships, and joint research initiatives. These endeavors not only could strengthen cultural ties but also address pressing global challenges such as climate change and public health.

Renewable energy and environmental sustainability further underscore the shared commitment of India and New Zealand toward a greener future. Joint ventures in renewable energy, particularly in solar and geothermal technologies, can accelerate both countries' sustainability goals. Similarly, tourism, hospitality, and the protection of Geographical Indications (GIs) offer mutually beneficial opportunities. Promoting sustainable tourism, leveraging GI tags for unique regional products, and fostering indigenous SMEs can stimulate economic growth and ensure inclusive development. By embedding these principles into trade agreements, both nations can build a comprehensive partnership that balances economic progress with cultural preservation and environmental responsibility.



Macroeconomic Overview of New Zealand

New Zealand, or Aotearoa in Māori, is a sovereign island country located in the southwestern Pacific Ocean. It comprises two main landmasses—the North Island (Te Ika-a-Māui) and the South Island (Te Waipounamu) as well as over ‘other’ 700 smaller islands. The country spans approximately 268,021 square kilometres, making it the sixth-largest island nation by area. New Zealand is geographically isolated, situated about 2,000 km southeast of Australia across the Tasman Sea and south of the Pacific Island nations of New Caledonia, Fiji and Tonga. The population of New Zealand is around 5.2 million people, with the majority residing in urban areas.

New Zealand is one of the most open economies in the world, driven primarily by private entrepreneurship. Its well-developed free-market economy has strong emphasis on innovation and capacity-building, and is heavily dependent on international trade. The economy is well diversified, with key sectors such as agriculture, horticulture, forestry, fisheries, manufacturing, mining and tourism. The country is a major exporter of dairy products, meat, wine, fruits and seafood. Tourism is a significant source of revenue, attracting millions of visitors annually.

In recent years, New Zealand has also made strides in the technology sector, with a growing number of startups and tech companies contributing to economic growth. While the country is known for its ease of doing business, innovative spirit and commitment to sustainability and environmental protection, due to emerging challenges such as inflation, recession, low business, consumer confidence, low productivity, uncertainty in international trade and geopolitical tensions, its global ranking in competitiveness, according to the World Competitiveness Report 2024 published by the Institute for Management Development (IMD), fell from 20th rank in 2021 to 32nd in 2024, among 67 economies.

Governing Structure

New Zealand’s governing structure is a constitutional monarchy with a parliamentary democracy, recognizing a monarch as the ceremonial head of state while its democratic government manages day-to-day affairs. The monarch, currently King Charles III, is represented by the Governor-General in New Zealand. Appointed by the monarch on the Prime Minister’s advice, the Governor-General performs most of the monarch’s constitutional and ceremonial duties. The executive branch is led by the Prime Minister, the head of government, who is usually the leader of the majority party in the House of Representatives. The Cabinet, headed by the Prime Minister, is the central decision-making body responsible for policy development and administration.

The legislative branch consists of Parliament, which includes the Sovereign and the House of Representatives. The House of Representatives, a unicameral body, is elected every three years through a mixed-member proportional (MMP) voting system. Members of the House pass laws, scrutinize the government and represent the public.

New Zealand's constitutional framework is unwritten, based on various sources. The Constitution Act 1986 defines the structure and powers of government, while the Treaty of Waitangi, an agreement between the British Crown and Māori chiefs in 1840, recognizes Māori land rights and provides the basis for New Zealand's bicultural society.

Key Industries of New Zealand

Agriculture

Agriculture is a cornerstone of New Zealand's economy, contributing significantly to its export earnings. While the agricultural sector accounted for only around 7% of the country's GDP, majority of export earnings of the country originates from this sector. Dairy farming is the dominant primary sector activity, and accounts directly for approximately 2% of the total employment. The industry has experienced significant growth following the formation of Fonterra - New Zealand's dairy cooperative owned by 9,000 farmers, under the Dairy Industry Restructuring Act (DIRA) of 2001 and a successful pivot to dairy processing and export. Under this expansion, the downstream impact of the dairy industry on other industries has also increased, with both processing and farming segments being major purchasers in 35 various industries representing 31.5% of GDP, including agriculture, forestry, fertilizer and pesticide manufacturing, as well as pharmaceutical, cleaning, chemical manufacturing and other support services.

New Zealand is a global leader in the dairy industry, renowned for its high-quality products, dominating the country's exports, with annual export revenue of over NZD 20 billion. New Zealand produces approximately 3% of global milk production and accounts for approximately 30% of the world's internationally traded dairy products. Further, New Zealand is the world's leading exporter of whole milk powder (WMP), and over 90% of the milk produced in the country is processed for exports. Around 90% of Fonterra's revenue comes from outside New Zealand. This uniquely places New Zealand as one of the most export-oriented dairy producers globally and underscores its significant role in the global dairy market. Dairy prices in New Zealand are determined by auctions held every two weeks by Global Dairy Trade (GDT), one of the most globally recognized platforms for dairy commodities.

Sheep farming is also prominent, with New Zealand producing around 400,000 tonnes of sheep meat and 160,000 tonnes of wool each year, primarily for export. The beef and lamb sector earns annual export revenue of around NZD 9.4 billion.

Horticulture

New Zealand's horticulture industry is renowned for its high-quality produce, including kiwifruit, apples and wine grapes. The kiwifruit industry is particularly significant, with exports valued at NZD 2.6 billion in 2023. Zespri, the leading kiwifruit marketer, dominates the global market. Apple exports also make a substantial contribution, with annual revenues exceeding NZD 800 million. The wine industry, centred in regions such as Marlborough and Hawke's Bay, exported over NZD 2 billion worth of wine in 2023, with Sauvignon Blanc being the most prominent variety. The horticulture sector's focus on innovation and sustainability has helped maintain its competitive edge in international markets.

Forestry

Forestry is a vital industry in New Zealand, with the country being a major exporter of logs, timber and wood products. In 2023, forestry exports were valued at approximately NZD 6.7 billion. Radiata pine is the predominant species, accounting for about 90% of the plantation forests. New Zealand's forestry industry is known for its sustainable management practices, with around 1.7 million hectares of planted forests certified under the Forest Stewardship Council (FSC). The sector also contributes significantly to regional economies, providing employment in rural areas and supporting industries such as wood processing and pulp and paper manufacturing.

Fisheries

New Zealand's fisheries sector is recognized for its sustainable and well-managed practices, underpinned by the Quota Management System (QMS). The country has a diverse range of marine species, including hoki, squid and rock lobster. Aquaculture is also a growing component, with salmon and mussel farming contributing significantly to export earnings. The fisheries sector supports around 13,000 jobs and plays a crucial role in the economies of coastal communities. In 2023, seafood exports reached NZD 1.8 billion. New Zealand's commitment to sustainable fishing practices ensures the long-term viability of its marine resources. The size of commercial fishing industry is around US\$ 4.18 billion.

Manufacturing

Manufacturing in New Zealand spans various subsectors, including food and beverage processing, machinery and equipment manufacturing. Around 10% of the country's GDP originates from the sector, supporting around 240,000 jobs. Food and beverage manufacturing is particularly significant, with dairy processing being a major component. Fonterra, the largest dairy cooperative, processes about 17 billion litres of milk annually. Advanced manufacturing sectors, such as aerospace and medical technology, are also growing, driven by innovation and research and development investments. New Zealand's manufacturing sector benefits from its reputation for high-quality, reliable products.

Mining

New Zealand's mining industry is relatively small but plays a significant role in the economy, particularly in regions like the West Coast and Otago. The industry primarily focuses on the extraction of gold, silver, coal and aggregates. In 2023, the total value of mineral production was around NZD 2.4 billion. Gold and silver mining contributes the most, with major mines like Macraes in Otago producing significant quantities. The coal industry, although facing environmental challenges, remains important for domestic energy production. New Zealand's mining sector is subject to stringent environmental regulations to ensure sustainable and responsible practices.

Tourism

Tourism is a vital industry for New Zealand, contributing around 5.8% to GDP and directly employing over 230,000 people. In 2023, international visitor arrivals rebounded to 3.6 million, generating NZD 17.5 billion in export earnings. Key tourist attractions include natural landscapes such as Fiordland, the Southern Alps, and Rotorua's geothermal areas, and adventure tourism. Tourism New Zealand's marketing campaigns, such as the "100% Pure New Zealand" initiative, have been instrumental in attracting visitors from around the world.

Migration Trends in New Zealand

Overseas migration holds an important role for New Zealand. Historically, migration has been highly relevant for New Zealand and a steady and significant driver of population growth. By 2016, roughly 25% of New Zealand's population was estimated to have been born overseas as per the International Monetary Fund (IMF). Net overseas migration is set to become more important in the future, as the rate of natural population increase declines. In the past decade, net overseas migration has significantly outpaced the rate of natural population increase, which has steadily declined, consistent with the fall in New Zealand's fertility rate to 1.56% in 2023, below the replacement rate needed for a generation to replace itself viz. 2.1%. As a result, the rate of population growth has been driven by net overseas migration, which has been accompanied by large emigration waves of New Zealanders. Migrants into New Zealand mainly comprise skilled workers and students. In terms of nationality, migrants mainly came from Asia in 2023, from the Philippines, India and China, as well as the Pacific Islands (Fiji and Samoa).

Macroeconomic Background of New Zealand

New Zealand is the second-largest economy in Oceania and member of the Organisation for Economic Co-operation and Development (OECD). The structure of New Zealand's economy has not changed significantly over the past few years. The services sector is the main contributor to GDP, with an estimated 71.6% share in 2021, followed by industry with 22.2% share and agriculture, forestry and fishing sector accounting for 6.2% of GDP. New Zealand's economy has comparative advantage in resource-based activities. Primary sector output such as dairy products, meat products, live animals and animal products and wood are the major exports, while imports are largely dominated by manufacturing (transport equipment and machinery) and raw materials.

Table 1.1: Macroeconomic Indicators of New Zealand

Indicator	2019	2020	2021	2022	2023 ^e	2024 ^f	2025 ^f	2026 ^f
Real GDP Growth (% change)	3.1	-1.4	5.6	2.4	0.6	0.03	1.9	2.4
GDP, current prices (US\$ bn)	210.8	210.3	249.7	242.6	248.7	252.2	262.9	274.3
GDP per capita, current prices (US\$)	42,274.0	41,343.9	48,856.7	47,327.9	47,423.1	47,072.4	48,234.1	49,471.5
Inflation (avg, % change)	1.6	1.7	3.9	7.2	5.7	2.7	2.2	2.1
Population (mn)	5.0	5.1	5.1	5.1	5.2	5.4	5.5	5.5
Merchandise exports, FOB (US\$ bn)	39.5	38.4	44.8	45.1	41.5	42.8	45.7	46.8
Merchandise imports, CIF (US\$ bn)	42.4	37.2	49.9	54.2	50.0	48.3	50.9	52.2
General government gross debt (% GDP)	31.9	43.3	47.5	47.1	45.8	47.2	48.6	49.3
Current account balance (US\$ bn)	-5.9	-2.1	-14.5	-21.3	-17.2	-15.8	-13.0	-12.4
Current account balance (% of GDP)	-2.8	-1.0	-5.8	-8.8	-6.9	-6.3	-5.0	-4.5
Total International Reserves (US\$ bn)	17.8	13.7	16.1	14.4	15.5	16.1	16.5	16.9
Exchange Rate (avg; NZ\$:US\$)	1.52	1.54	1.41	1.57	1.63	1.64	1.54	1.52

Note: ^e- Estimates; ^f-Projections

Source: World Economic Outlook (WEO), IMF, October 2024 and Economist Intelligence Unit (EIU)

While New Zealand recovered strongly from the Covid-19 pandemic, it was accompanied by high and persistent inflation which led to monetary policy tightening and a decline in investment, resulting in two technical recessions (i.e., two consecutive quarters of negative growth). The Reserve Bank of New Zealand (RBNZ) hiked rates by 525 bps cumulatively between October 2021 and May 2023 and has kept the Official Cash Rate (OCR) at 5.5%. Real GDP growth momentum fell substantially in 2023, rising only by 0.6%, due to contractions in private investment (-2.6%) and government consumption (-1.1%), accompanied by slow growth in household consumption (0.3%) (**Table 1.1**).

On the other hand, the country recorded net migration of 126,000 persons in 2023, following the 2022 border reopening. Migration helped addressing supply-side bottlenecks and labour market pressures. Despite tight monetary policy, inflation remains high. While CPI inflation has declined meaningfully from 7.2% in 2022 to 5.7% in 2023, it continued to be above the RBNZ's 1–3% target and is higher than most peer comparator countries. According to the IMF, the slower progress in reducing inflation compared to other economies is due to delayed pass-through from pandemic era shocks, tight labour markets, persistent wage pressure, weather-related domestic food shortages and the effects of migration on rental and housing costs.

New Zealand is a small open economy, subject to spillovers, particularly through trade. The goods trade deficit narrowed in 2023 as merchandise imports contracted under tight monetary policy, offsetting weak global demand's drag on exports including through the economic slowdown in China (New Zealand's largest trading partner). While the current account deficit narrowed to 6.9% of GDP in 2023, it is still above its long-run average.

Economic Outlook

The economic growth of New Zealand is expected to remain moderate in 2024 before picking up in 2025, sustained primarily by consumption and a surge in migrant arrivals in late 2023. However, high interest rates and cost-of-living pressures are expected to outweigh government support, limiting private consumption growth throughout the year. Government consumption growth is expected to remain modest at 1.9% annually on average in 2024 and 2025 as financial assistance and transport subsidies are scaled back. Investment spending would be hampered by high interest rates, with a growth of 3.2% in 2024, rising slightly to 4% in 2025.

Residential housing investment is expected to see robust growth, as interest rates decrease, contributing to faster fixed-asset investment growth compared to the pre-pandemic years. Consumer demand and capital equipment for investment would support imports. However, economic growth in China is expected to slow, impacting New Zealand's export sector, which will struggle with competitiveness and rely on changing consumer preferences in China. New Zealand is expected to gain some export traction in other markets due to new free trade agreements (FTAs) and multilateral trade partnerships.

Inflation in New Zealand is expected to decelerate from an average of 2.7% in 2024 to 2.2% in 2025. The surge in migrant arrivals in late 2023 has eased labour market conditions, but high rental costs for office space and housing persist, maintaining upward price pressures. These factors are expected to gradually subside towards the end of 2024, leading to a faster deceleration of inflation, aided by a suppression of consumer demand as higher interest rates impact the economy. Inflation is anticipated to ease subsequently into the RBNZ's target band of 1-3% in the medium term.

Nevertheless, geopolitical events could disrupt global supply chains, particularly for oil, which New Zealand relies upon for imports, which may result in higher inflation. After a prolonged depreciation throughout 2023 and early 2024, the New Zealand dollar is estimated to appreciate gradually from mid-2024, though its average value of NZ\$ 1.64:US\$ 1 in 2024 would still be lower than in 2023. The sluggish Chinese economy has negatively impacted sentiment on the New Zealand dollar. However, this appreciating trend is expected to continue as economic conditions improve and the external sector strengthens. Improving economic fundamentals and a narrowing current account deficit are likely to support the New Zealand dollar's moderate appreciation.

New Zealand's integrated position in global trade and financial networks makes it vulnerable to risks from deepening fragmentation. If global tensions escalate further, exports of commodities and some services are likely to decline causing lower growth and putting pressure on the exchange rate through a larger current account deficit. New Zealand relies heavily on imported inputs into many sectors, and disruptions to global supply chains could result in higher inflation. The country's heavy reliance on agriculture makes it particularly susceptible to climate shocks, rising average temperatures and natural disasters.

Sluggish China's economic growth in 2024, its largest export destination, may negatively impact New Zealand's goods trade. However, this effect could be partially mitigated by moderating oil prices, which will help reduce the trade deficit that reached a record high in 2022. Additionally, a modest recovery in international tourism and lower freight costs are expected to significantly narrow the services deficit in 2024 compared to 2023, with services anticipated to return to surplus by 2026.

The current account deficit is projected to narrow from 6.3% of GDP in 2024 to 5.0% in 2025, driven by improvements in both the goods and services sectors. However, the primary income account is expected to continue to remain negative due to the costs of servicing foreign debt and profit repatriation by foreign companies. The new FTA with the European Union (EU), effective from May 2024, is expected to enhance market access for key New Zealand exports like dairy and meat, offering modest tariff benefits and improving cross-border business logistics.



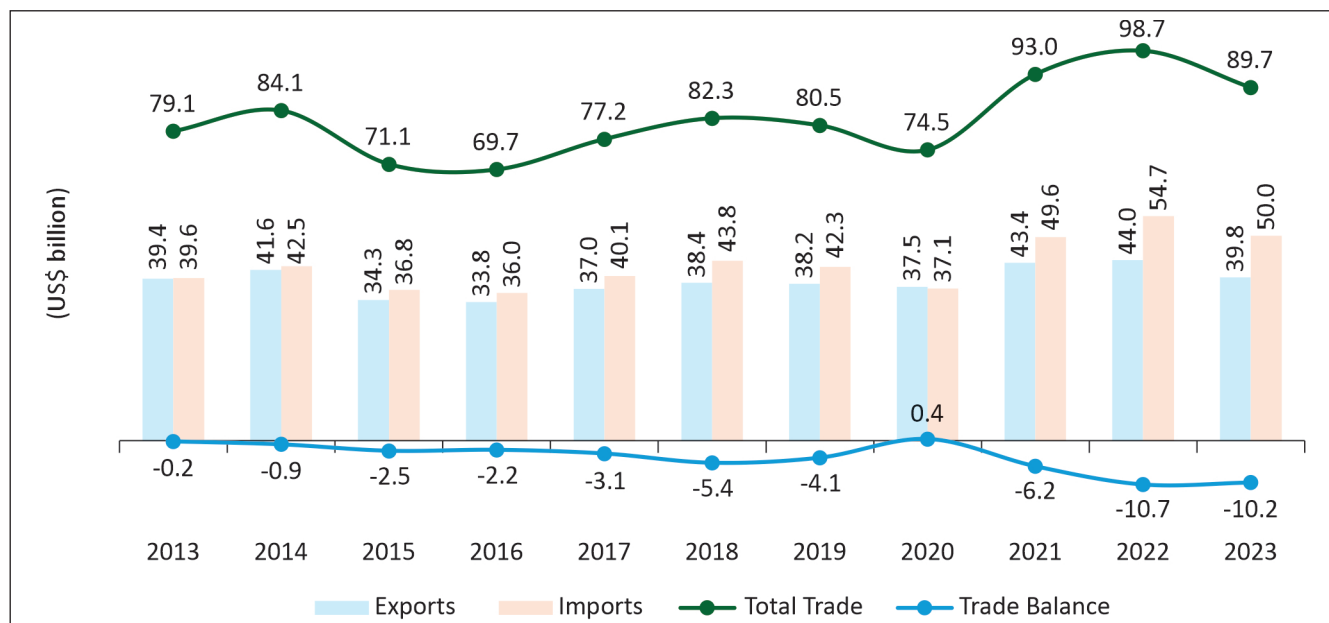
International Trade of New Zealand

New Zealand's merchandise trade plays a pivotal role in its economy, reflecting its strategic global economic engagements. As an island nation with a limited domestic market, New Zealand relies heavily on international trade to drive economic growth and sustain its high living standards. The country's trade policy emphasizes openness, competitiveness, and the pursuit of free trade agreements to secure market access for its goods. However, the relatively small size of New Zealand's economy, the remote access to markets and suppliers, and limited participation in the global value chains (GVCs) other than food and agriculture, reduce the ability of firms to exploit economies of scale and export. New Zealand's trade dependency and long history of actively pursuing both bilateral and multilateral preferential trade agreements (PTAs) make it one of the strongest free trade proponents.

New Zealand's economy has comparative advantage in resource-based activities, and its merchandise exports are characterized by a strong agricultural and horticultural base, with dairy products, meat, fruits and wine being key components. These products enjoy a reputation for high quality and are in demand worldwide, underscoring the country's commitment to sustainable and innovative farming practices. In addition to primary products, New Zealand also exports manufactured goods, including machinery, equipment and advanced technology products. On the import side, New Zealand sources a wide range of goods from global markets, including machinery, vehicles, electronics and refined petroleum. These imports are essential for supporting the country's industrial activities, consumer needs and infrastructure development. New Zealand's strategic geographic location in the Asia-Pacific region facilitates trade links with key markets such as Australia, China, Japan and the United States of America (the US).

The total trade of New Zealand has fluctuated over the years. While total trade has seen an overall increase from US\$ 79.1 billion in 2013 to US\$ 89.7 billion in 2023, it witnessed a decline during the COVID-19 period, falling to US\$ 74.5 billion in 2020, before recovering to US\$ 93 billion post-COVID-19 in 2021 and peaking at US\$ 98.7 billion in 2022. Exports growth has largely been muted over the course of the past decade, declining from US\$ 39.4 billion in 2013 to US\$ 37.1 billion in 2020. While it recovered eventually and peaked at US\$ 44 billion in 2022, it eventually settled at US\$ 39.8 billion, marginally above 2013 level. Similarly, imports also recovered post COVID, after declining to US\$ 37.1 billion in 2020 from record imports of US\$ 43.8 billion in 2018, and peaked at US\$ 54.7 billion in 2022, before settling at US\$ 50 billion in 2023 (**Chart 2.1**). The trade balance has largely remained in deficit (barring 2020 when a small surplus of US\$ 0.4 billion was recorded due to fall in imports) for New Zealand reaching an all-time high of US\$ 10.7 billion in 2022, owing to tepid growth in top export destinations resulting in sluggish demand for New Zealand's dairy and meat exports. Trade deficit narrowed to US\$ 10.2 billion in 2023.

Chart 2.1: International Trade of New Zealand



Source: ITC Trade Map and India Exim Bank Research

Merchandise Exports from New Zealand: Commodity Analysis

The primary sector continues to be the most important contributor to New Zealand's export earnings. New Zealand's dependence on agricultural exports is evident from the composition of New Zealand's exports during the review period. Dairy products, meat products, edible fruits and nuts and wood and its articles continued to remain the major commodities in New Zealand's export basket in the last decade.

Dairy produce, birds' eggs and honey accounted for 30.7% of New Zealand's total exports in 2023. Among these dairy products, the top exported products were milk and cream (HS-0402), butter and other fats and oils derived from milk (HS-0405), and cheese and curd (HS-0406). Other top exported products were meat and edible meat offal constituting of 13.5% of total exports, followed by wood and articles of wood (7.3%), edible fruit and nuts (5.4%) and beverages, spirits and vinegar (3.9%), among others (**Table 2.1**).

Table 2.1: Major Merchandise Export Commodities of New Zealand (US\$ billion)

HS Code	Product	2014	2019	2022	2023	% Share in 2023
	Total Exports of New Zealand	41.6	38.2	44.0	39.8	100.0
04	Dairy produce, eggs and honey	12.2	10.6	13.4	12.2	30.7
02	Meat and edible meat offal	4.9	5.3	6.3	5.4	13.5
44	Wood and articles of wood	3.0	3.3	3.3	2.9	7.3
08	Edible fruit and nuts	1.5	2.2	2.4	2.2	5.4
22	Beverages, spirits and vinegar	1.3	1.4	1.7	1.5	3.9
19	Preparations of cereals and flour	0.7	1.5	1.6	1.5	3.8
35	Albuminoidal substances	1.2	0.8	1.6	1.4	3.4
84	Machinery and mechanical appliances	1.3	1.0	1.1	1.2	3.0
03	Fish, crustaceans and molluscs	1.1	1.2	1.2	1.2	3.0

HS Code	Product	2014	2019	2022	2023	% Share in 2023
76	Aluminium and articles	0.8	0.8	1.0	1.0	2.4
21	Miscellaneous edible preparations	0.7	0.9	0.9	0.9	2.3
85	Electrical machinery and equipment	0.8	0.5	0.7	0.7	1.7
90	Optical, photographic equipment	0.6	0.6	0.6	0.6	1.5
27	Mineral fuels and mineral oils	1.3	0.6	0.7	0.6	1.4
71	Natural or cultured pearls, precious stones and metals	0.6	0.4	0.5	0.5	1.3

Source: ITC Trade Map and India Exim Bank Research

Merchandise Imports of New Zealand: Commodity Analysis

Mineral fuels, oils and products of distillation were the largest items in New Zealand's import basket, accounting for 14.6% of total imports in 2023, followed by vehicles other than railway or tramway (13.9%), machinery and mechanical appliances (13.6%), electrical machinery and equipment (9.0%) and optical, photographic, surgical and medical equipment (3.4%) (**Table 2.2**). At a disaggregated level, the major imported items in 2023 include petroleum oils and oils obtained from bituminous minerals (not crude); petroleum coke, petroleum bitumen and other residues; motor cars and other motor vehicles and turbojets, turbo propellers and other gas turbines, among others. New Zealand's import basket has also been consistent over the review period with no major deviations.

Table 2.2: Major Merchandise Import Commodities of New Zealand (US\$ billion)

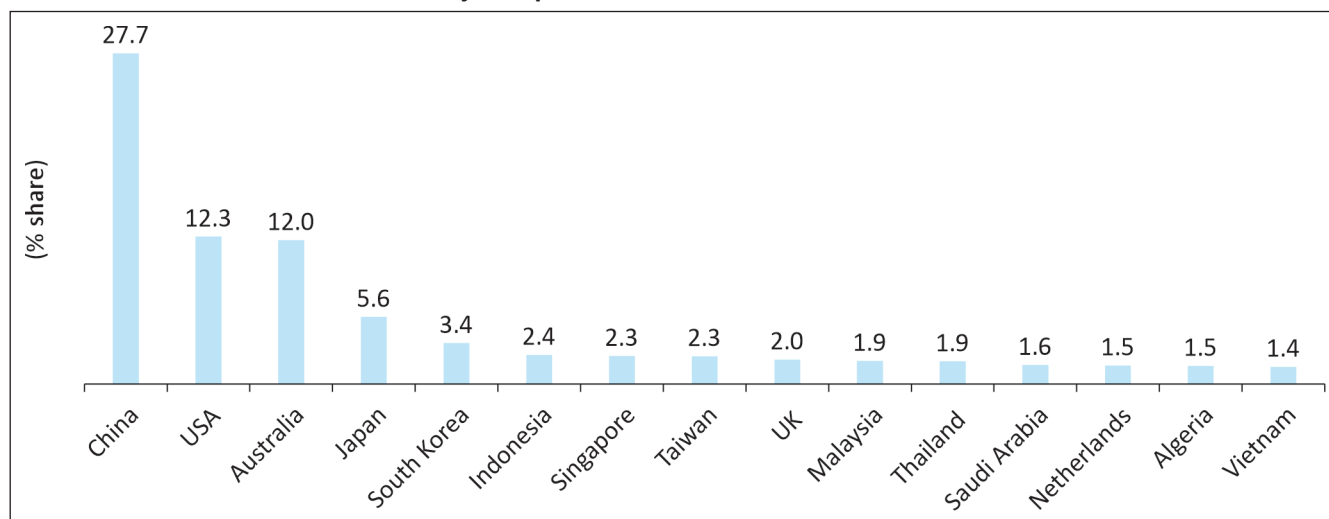
HS Code	Product	2014	2019	2022	2023	% Share in 2023
	Total Imports of New Zealand	42.5	42.3	54.7	50.0	100.0
27	Mineral fuels, oils and products	6.4	4.7	6.3	7.3	14.6
87	Vehicles other than railway or tramway	5.6	5.6	7.2	7.0	13.9
84	Machinery and mechanical appliances	5.3	6.1	7.3	6.8	13.6
85	Electrical machinery and equipment	3.2	3.6	4.7	4.5	9.0
90	Optical, photographic and surgical equipment	1.2	1.3	1.7	1.7	3.4
39	Plastics and articles	1.6	1.5	2.0	1.6	3.1
30	Pharmaceutical products	0.9	1.0	1.7	1.5	3.0
88	Aircraft, spacecraft and parts	1.6	0.8	0.6	1.0	2.1
23	Residues from the food industries	0.8	0.7	1.3	0.9	1.8
73	Articles of iron or steel	0.7	0.9	1.2	0.9	1.7
94	Furniture, bedding and mattresses	0.7	0.9	1.1	0.9	1.7
21	Miscellaneous edible preparations	0.6	0.6	0.7	0.7	1.4
48	Paper and articles of paper	0.7	0.7	0.8	0.7	1.4
61	Articles of apparel and clothing accessories, knitted or crocheted	0.6	0.6	0.7	0.6	1.3
62	Articles of apparel and clothing accessories, not knitted or crocheted	0.6	0.6	0.7	0.6	1.2

Source: ITC Trade Map and India Exim Bank Research

Export Destinations of New Zealand

New Zealand's trade is also increasingly concentrated geographically, dominated by the Asia Pacific economies. Being a trade dependent economy, New Zealand has always relied on export earnings from China, the US and Australia. In 2023, this trend continues as in terms of export destinations, China remains the major destination, accounting for 27.7% of New Zealand's exports in 2023. Other major export destinations are the US (12.3%), Australia (12.0%), Japan (5.6%) and South Korea (3.4%), among others (**Chart 2.2**). India remains a less preferred export destination for New Zealand with only US\$ 0.2 billion (26th largest) exports in 2023.

Chart 2.2: Major Export Destinations of New Zealand in 2023



Source: ITC Trade Map and India Exim Bank Research

Table 2.3 highlights the product-wise major export destinations of New Zealand for products having greater than 1% share in New Zealand's global exports.

Table 2.3: Major Export Destinations for Commodities Exported by New Zealand, 2023

HS Code	Product (Export Value)	Major Export Destinations of New Zealand	Exports (US\$ million)	% Share in New Zealand's Exports of Product
	Total Exports of New Zealand (US\$ 39,763.4 million)	China	10,996.2	27.7
		USA	4,900.7	12.3
		Australia	4,779.5	12.0
		Japan	2,229.9	5.6
		South Korea	1,359.0	3.4
		India (26th Largest)	262.4	0.7
04	Dairy produce, birds' eggs and natural honey (US\$ 12,204.2 million)	China	3,767.4	30.9
		Australia	678.7	5.6
		Indonesia	612.4	5.0
		Algeria	597.0	4.9
		USA	537.8	4.4
		India (80th Largest)	2.6	-

HS Code	Product (Export Value)	Major Export Destinations of New Zealand	Exports (US\$ million)	% Share in New Zealand's Exports of Product
02	Meat and edible meat offal (US\$ 5,383.0 million)	China	1,904.5	35.4
		USA	1,378.8	25.6
		Netherlands	221.1	4.1
		Japan	220.7	4.1
		UK	211.2	3.9
		India (55th Largest)	1.9	-
44	Wood and articles of wood; wood charcoal (US\$ 2,888.4 million)	China	1,832.7	63.5
		USA	211.2	7.3
		Japan	202.5	7.0
		Korea, Republic of	176.4	6.1
		Australia	175.6	6.1
		India (16th Largest)	5.9	0.2
08	Edible fruit and nuts; peel of citrus fruit or melons (US\$ 2,150.5 million)	China	537.1	25.0
		Japan	308.0	14.3
		European Union Nes	304.8	14.2
		Taiwan	170.7	7.9
		USA	151.8	7.1
		India (13th Largest)	25.5	1.2
22	Beverages, spirits and vinegar (US\$ 1,537.1 million)	USA	507.7	33.0
		Australia	398.8	25.9
		UAE	284.5	18.5
		Canada	87.2	5.7
		China	37.0	2.4
		India (60th Largest)	0.2	0.0
19	Preparations of cereals, flour, starch (US\$ 1,522.5 million)	China	880.1	57.8
		Australia	224.7	14.8
		Hong Kong, China	140.7	9.2
		UK	47.3	3.1
		Malaysia	45.4	3.0
		India	-	-
35	Albuminoidal substances; modified starches (US\$ 1,353.1 million)	China	429.8	31.8
		USA	255.2	18.9
		Japan	205.5	15.2
		Mexico	60.3	4.5
		Indonesia	56.3	4.2
		India (11th Largest)	22.4	1.7

HS Code	Product (Export Value)	Major Export Destinations of New Zealand	Exports (US\$ million)	% Share in New Zealand's Exports of Product
84	Machinery and mechanical appliances (US\$ 1,192.1 million)	USA	375.2	31.5
		Australia	354.3	29.7
		UK	47.5	4.0
		Canada	39.4	3.3
		Chile	35.7	3.0
		India (17 th Largest)	9.3	0.8

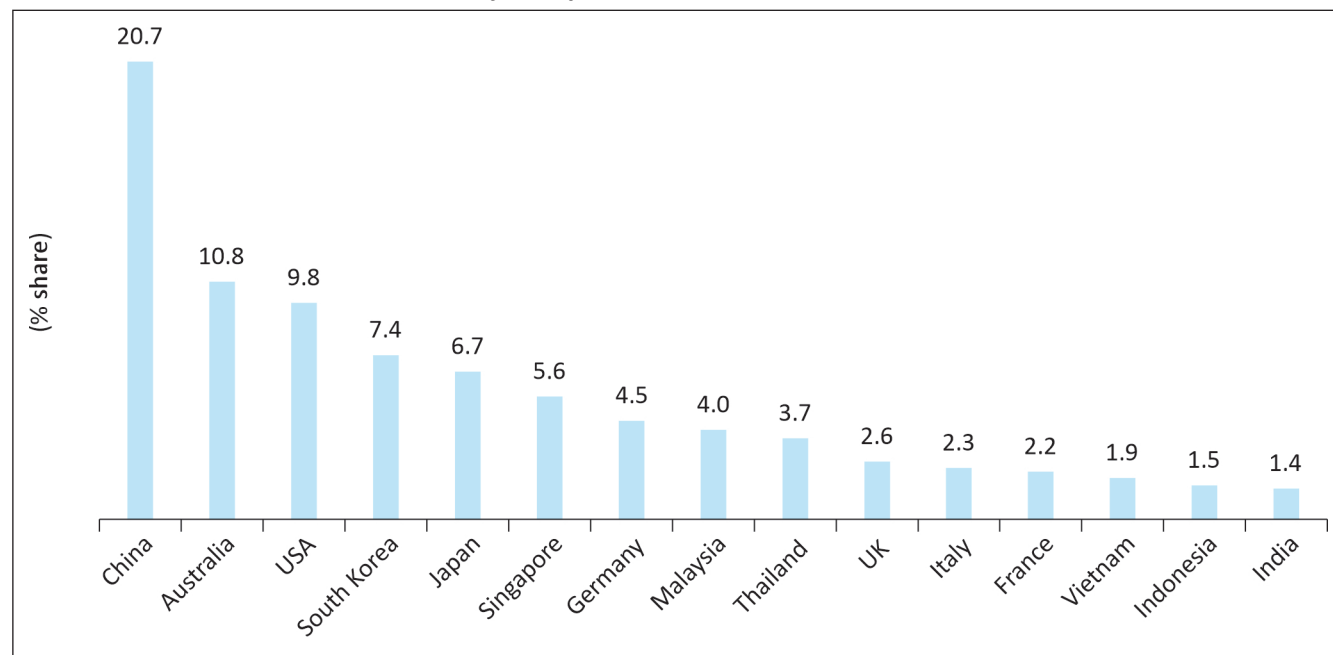
Note: “-” implies nil or negligible

Source: ITC Trade Map and India Exim Bank Research

Import Sources of New Zealand

China is the largest import source for New Zealand, with a share of 20.7% in New Zealand's total imports, followed by Australia with a share of 10.8% (**Chart 2.3**). Other major import sources for New Zealand include the US (9.8%), South Korea (7.4%), Japan (6.7%) and Singapore (5.6%). India has made progress in its commercial engagements with New Zealand, rising from being the 24th largest import source of New Zealand in 2014 (1.0% share) to 15th largest source in 2023, with a share of 1.4%.

Chart 2.3: Major Import Sources of New Zealand in 2023



Source: ITC Trade Map and India Exim Bank Research

An analysis of commodity-wise imports of New Zealand suggests that China, Australia, South Korea and the US have been the major sources across almost all commodities imported by New Zealand in 2023 (**Table 2.4**). At the same time, India was the eighth largest import source for pharmaceutical products and the ninth-largest import source for mineral fuels, mineral oils and distillation products.

Table 2.4: Major Import Sources for Commodities Imported by New Zealand, 2023

HS Code	Product (Import Value)	Major Import Sources of New Zealand	Imports (US\$ million)	% Share in New Zealand's Imports of Product
	Total Imports of New Zealand (US\$ 49,958.4 million)	China	10,351.9	20.7
		Australia	5,381.3	10.8
		USA	4,899.1	9.8
		South Korea	3,708.8	7.4
		Japan	3,338.9	6.7
		India (15th Largest)	691.0	1.4
27	Mineral fuels, mineral oils and products (US\$ 7,292.3 million)	South Korea	2,776.8	38.1
		Singapore	2,336.8	32.0
		Malaysia	1,112.7	15.3
		Japan	482.8	6.6
		China	198.5	2.7
		India (9th Largest)	34.9	0.5
87	Vehicles other than railway or tramway (US\$ 6,961.3 million)	Japan	2,012.9	28.9
		Thailand	799.8	11.5
		China	727.5	10.5
		Germany	581.8	8.4
		USA	394.6	5.7
		India (24th Largest)	24.1	0.3
84	Machinery and mechanical appliances (US\$ 6,815.9 million)	China	1,699.1	24.9
		USA	1,317.1	19.3
		Germany	591.1	8.7
		Japan	428.3	6.3
		UK	323.7	4.7
		India (18th Largest)	66.5	1.0
85	Electrical machinery and equipment (US\$ 4,486.0 million)	China	2,131.0	47.5
		Vietnam	405.3	9.0
		USA	331.1	7.4
		Australia	275.9	6.2
		Malaysia	129.5	2.9
		India (17th Largest)	33.3	0.7
90	Optical, photographic, cinematographic and surgical instruments (US\$ 1,677.7 million)	USA	453.5	27.0
		China	229.4	13.7
		Australia	158.0	9.4
		Germany	128.4	7.7
		UK	58.4	3.5
		India (32nd Largest)	4.6	0.3

HS Code	Product (Import Value)	Major Import Sources of New Zealand	Imports (US\$ million)	% Share in New Zealand's Imports of Product
39	Plastics and articles (US\$ 1,556.9 million)	China	474.2	30.5
		Australia	209.4	13.5
		USA	139.1	8.9
		Thailand	77.3	5.0
		Taiwan	65.3	4.2
		India (18th Largest)	16.5	1.1
30	Pharmaceutical products (US\$ 1,495.1 million)	Australia	272.0	18.2
		USA	168.3	11.3
		Germany	155.5	10.4
		Ireland	154.2	10.3
		UK	120.4	8.1
		India (8th Largest)	78.6	5.3
88	Aircraft, spacecraft and parts (US\$ 1,048.9 million)	USA	673.3	64.2
		France	174.7	16.7
		Germany	97.3	9.3
		Canada	45.5	4.3
		Italy	9.2	0.9
		India (33rd Largest)	0.1	-

Note: “-” implies nil or negligible

Source: ITC Trade Map and India Exim Bank Research

Services Trade of New Zealand

New Zealand's services sector is a vital component of its economy, significantly contributing to GDP, employment, and international trade. This sector includes industries such as tourism, education, financial services, transport, and information and communication technology (ICT). Tourism stands out as one of the largest and most important industries, attracting visitors primarily from Australia, China, the US and the United Kingdom (UK). International education is also a significant export earner, drawing students from various countries, particularly in Asia, and contributing through tuition fees and living expenses.

Trade in services involves both exports and imports across several categories. Tourism services generate substantial revenue from international tourists, including spending on accommodation, transportation, food and entertainment. Education services bring in revenue from international students covering tuition fees, accommodation, and other living expenses, with strong ties to countries like China and India. Transport services, including air travel, freight, and logistics, are crucial for connecting with global markets and supporting exports.

Imports of services are equally important, encompassing travel services with New Zealanders' expenditure abroad, transport services for international air travel and freight and financial and insurance services reflecting

the global integration of the financial sector. Royalties and license fees also represent a significant portion of service imports, supporting the use of foreign technology and innovation. The balance of trade in services can fluctuate based on global economic conditions and demand from key markets.

The services sector contributed to over 70% of New Zealand's GDP and represented a significant portion of employment, with over one third of all workers in New Zealand engaging in the service sector. The COVID-19 pandemic affected tourism and education, leading to shifts towards domestic tourism and online education services. However, ongoing diversification and digital transformation are key trends shaping the sector's future, emphasizing resilience and innovation.

The New Zealand government supports the services sector through policies and initiatives, including tourism promotion, international education strategies, and investment in digital infrastructure. Trade agreements like the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) enhance market access for services exports. Efforts to attract international talent and investment are crucial for the sector's growth and long-term success.

New Zealand's international trade in services has been severely impacted by border restrictions during the COVID-19. As shown in **Chart 2.4**, New Zealand's services trade has experienced significant fluctuations from 2013 to 2023. Exports of services saw a steady increase from US\$ 13.5 billion in 2013 to US\$ 18.1 billion in 2019, driven by strong performance in sectors such as personal travel and transportation. However, the COVID-19 pandemic in 2020 caused a dramatic decline, with exports plummeting to US\$ 12 billion in 2020 and further to US\$ 9.9 billion in 2021 due to global travel restrictions and reduced international demand. New Zealand eventually became a net importer of services since 2020 from being a net exporter earlier. By 2023, exports began to recover, reaching US\$ 15.5 billion.

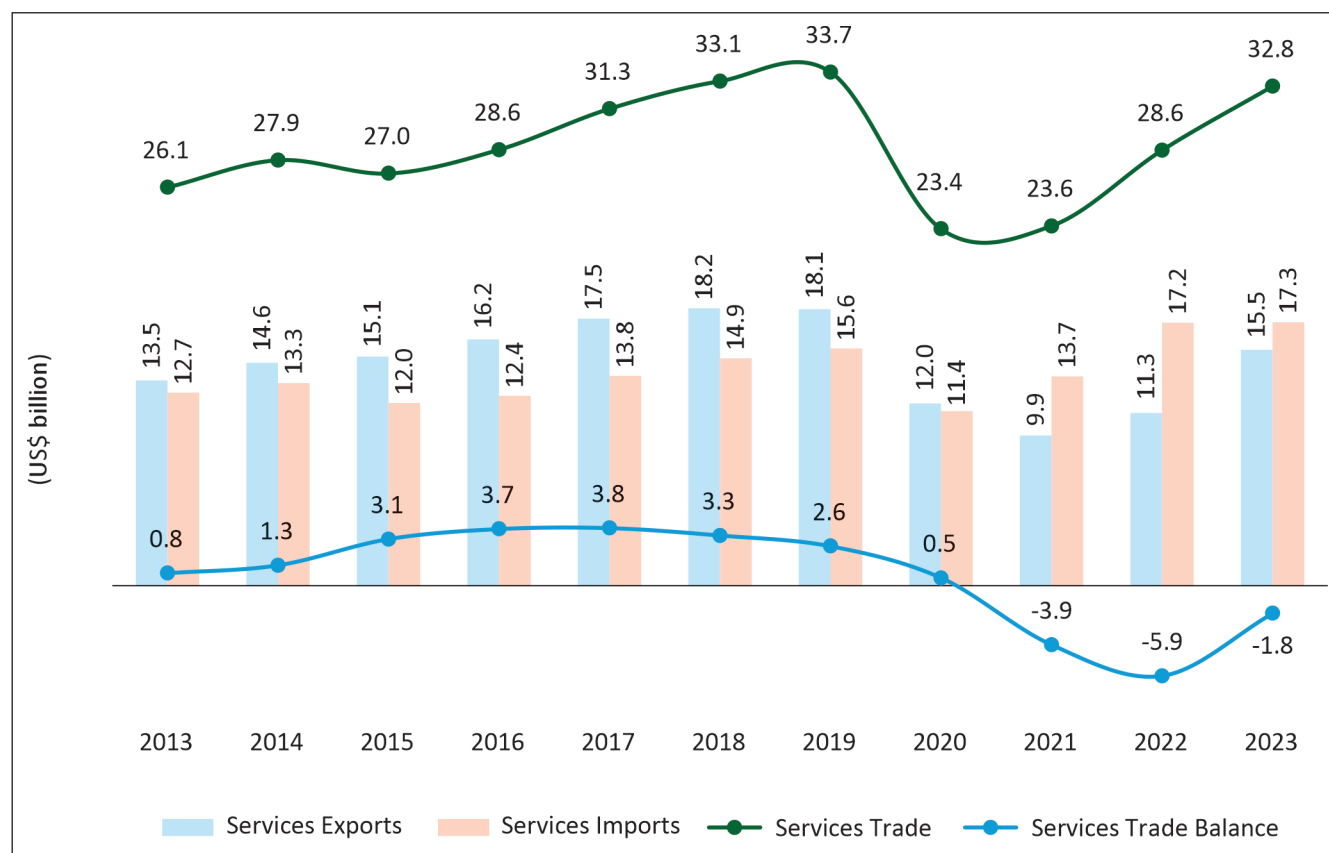
Imports of services also followed an upward trend, growing from US\$ 12.7 billion in 2013 to US\$ 15.6 billion in 2019. The pandemic's impact led to a drop in imports to US\$ 11.4 billion in 2020, but unlike exports, imports rebounded quickly, rising to US\$ 17.2 billion in 2022 and US\$ 17.3 billion in 2023. The increase in imports can be attributed to strong domestic demand and the easing of international travel restrictions, which allowed for a resurgence in personal and business travel.

The total trade in services mirrored these trends, increasing from US\$ 26.1 billion in 2013 to US\$ 33.7 billion in 2019. The pandemic caused a sharp contraction to US\$ 23.4 billion in 2020, but total trade has since recovered, reaching US\$ 32.8 billion in 2023. The trade balance, which was positive from 2013 to 2020, turned negative in 2021 and 2022 due to the faster recovery of imports compared to exports. By 2023, the trade deficit had narrowed to US\$ 1.8 billion, reflecting a more balanced recovery in both imports and exports.

Several factors have influenced these trends. The initial growth up to 2019 was supported by strong global economic conditions and increasing international tourism. The pandemic's severe impact on global travel and tourism caused sharp declines in 2020 and 2021. The subsequent recovery has been driven by the easing of travel restrictions, pent-up demand for travel and improvements in global economic conditions.

These data trends highlight the volatility and resilience of New Zealand's services trade sector. The sector's recovery post-pandemic underscores its importance to the national economy and the broader impacts of global economic conditions on New Zealand's trade performance.

Chart 2.4: International Services Trade of New Zealand



Source: WTO and India Exim Bank Research (accessed on August 13, 2024)

In 2023, New Zealand's service exports saw a substantial increase, rising from US\$ 11.3 billion in 2022 to US\$ 15.5 billion (**Table 2.5**). This growth was largely driven by a significant rebound in the travel and transport sectors, which grew from US\$ 4.1 billion and US\$ 1.6 billion in 2022 to US\$ 8.4 billion and US\$ 2.4 billion, respectively, in 2023. The surge in travel services, which holds the largest share at 54.6%, indicates a strong recovery in tourism following the COVID-19 pandemic. The transport sector's growth reflects a normalization of global trade and travel activities. Other commercial services witnessed a decline, moderating from US\$ 5.2 billion in 2022 to US\$ 4.2 billion in 2023.

The increase in overall service exports can be attributed to the global economic reopening and the resurgence of international travel and trade. The consistent growth in other services highlights New Zealand's successful diversification and innovation within its service sectors. Overall, these trends reflect New Zealand's resilience and adaptability in the global market, effectively leveraging its service sectors to recover and thrive post-pandemic.

Table 2.5: Services Exports of New Zealand (US\$ million)

Product/Sector	2014	2019	2022	2023	Share in Services Exports, 2023 (%)
Total Services Exports of New Zealand	14,628	18,141	11,325	15,473	100.0
Government goods and services	194	47	172	188	1.2
Commercial services	14,434	18,094	11,154	15,285	98.8
Goods-related services	262	409	230	314	2.0
Transport	2,110	2,304	1,591	2,368	15.3
Sea transport	430	445	436	-	-
Air transport	1,632	1,776	1,037	-	-
Postal and courier services	49	83	-	-	-
Passenger (All modes of transport)	-	-	-	1,248	8.1
Other (All modes of transport)	2,110	-	-	-	-
Travel	8,608	10,533	4,096	8452	54.6
Business	645	859	596	-	-
Personal	7,963	9,674	3,499	-	-
Health-related	10	8	-	-	-
Education-related	2,428	2,882	1,243	-	-
Other (Personal)	5,525	6,784	2,255	-	-
Other commercial services	3,454	4,849	5,237	4,150	26.8
Construction	24	13	-	-	-
Insurance and pension services	116	40	25	31	0.2
Financial services	463	396	318	331	2.1
Charges for the use of intellectual property	322	832	1,099	1,003	6.5
Telecommunications, computer and information services	607	904	1,085	1,200	7.8
Telecommunications services	-	78	52	-	-
Computer services	-	797	997	1,103	7.1
Information services	-	29	36	-	-
Other business services	1,420	1,407	1,685	1,814	11.7
Research and development services	93	117	175	174	1.1
Professional and management consulting services	343	337	381	370	2.4
Technical, trade-related and other business services	985	953	1,129	1,270	8.2
Personal, cultural and recreational services	501	476	293	86	0.6

Note: “-” nil or negligible

Source: WTO and India Exim Bank Research

In 2023, New Zealand’s services imports also increased, rising from US\$ 17.2 billion in the previous year to US\$ 17.3 billion (**Table 2.6**). Travel services showed significant recovery, increasing from US\$ 2.6 billion to

US\$ 4 billion, reflecting the easing of COVID-19 restrictions and a resurgence in international travel. Other commercial services recorded US\$ 8.6 billion, indicating strong demand for business, financial, and IT services driven by digital transformation and globalization. Transport services saw a decrease from US\$ 5 billion in 2022 to US\$ 4.2 billion in 2023, partly due to global supply chain adjustments and shifts in trade patterns.

Government goods and services imports experienced a slight decline, from US\$ 159 million in 2022 to US\$ 147 million in 2023, representing just 0.8% of the total services imports. The general increase in total imports suggests a robust economic recovery post-pandemic, while specific sectoral changes highlight evolving global economic dynamics and New Zealand's adaptation to these shifts.

Table 2.6: Services Imports of New Zealand (US\$ million)

Product/Sector	2014	2019	2022	2023	Share in Services Imports, 2023 (%)
Total Services Imports of New Zealand	13,293	15,556	17,249	17,299	100.0
Government goods and services	177	154	159	147	0.8
Commercial services	13,116	15,402	17,090	17,152	99.2
Maintenance and repair services	135	243	264	365	2.1
Transport	3,285	3,316	5,011	4,156	24.0
Sea transport	1,625	1,437	3,376	-	-
Air transport	1,579	1,817	1,569	-	-
Postal and courier services	81	63	66	-	-
Travel	4,106	4,300	2,567	4,043	23.4
Business	760	755	425	-	-
Personal	3,347	3,545	2,142	-	-
Other commercial services	5,590	7,543	9,249	8,588	49.6
Construction	60	26	33	49	0.3
Insurance and pension services	709	1,530	1,561	1,956	11.3
Financial services	350	320	371	397	2.3
Charges for the use of intellectual property	942	938	1,116	1,043	6.0
Telecommunications, computer and information services	741	1,342	2,003	2,172	12.6
Telecommunications services	-	96	83	-	-
Computer services	-	1,187	1,866	2,024	11.7
Information services	-	58	54	-	-
Other business services	2,634	2,837	3,338	2,169	12.5
Research and development services	33	66	88	68	0.4
Professional and management consulting services	587	1,176	605	396	2.3
Technical, trade-related and other business services	2,014	1,595	2,646	1,705	9.9
Personal, cultural and recreational services	155	457	787	801	4.6

Note: "-" nil or negligible

Source: WTO and India Exim Bank Research

In terms of services export destinations, Australia remained the major services market of New Zealand, accounting for 28.9% of New Zealand's services exports in 2022, followed by the US, China, the UK, Singapore and Japan. India was the eighth largest services export destination in 2022 (**Table 2.7**).

Table 2.7: Top 15 Services Export Destinations of New Zealand (US\$ million)

Country	2014	2019	2020	2021	2022	Share in Services Exports, 2022 (%)
Total Services Exports of New Zealand	14,628	18,141	11,957	9,862	11,325	100.0
Australia	3,384	3,574	2,256	2,223	3,277	28.9
USA	2,051	3,529	2,543	2,682	2,988	26.4
China	1,601	2,222	1,167	831	697	6.2
UK	991	1,112	734	405	597	5.3
Singapore	279	148	263	65	326	2.9
Japan	629	656	266	173	182	1.6
India	431	624	476	344	169	1.5
Canada	263	315	180	89	154	1.4
South Korea	400	353	258	173	148	1.3
Germany	524	206	26	72	132	1.2
Hong Kong	267	296	168	114	129	1.1
Ireland	36	50	79	95	86	0.8
Malaysia	147	79	34	57	71	0.6
Fiji	111	119	77	48	64	0.6
Taiwan	109	188	16	37	52	0.5

Source: WTO and India Exim Bank Research

As regards imports, Australia continued to be the largest services import source for New Zealand, accounting for 22.8% of New Zealand's imports in 2022, followed by Singapore, the US, Denmark and Switzerland (**Table 2.8**). India is the 10th largest services import source of New Zealand in 2022, with imports amounting to US\$ 221 million in 2022.

Table 2.8: Top 15 Services Import Sources of New Zealand (US\$ million)

Country	2014	2019	2020	2021	2022	Share in Services Imports, 2022 (%)
Total Services Imports of New Zealand	13,293	15,556	11,447	13,744	17,249	100.0
Australia	4,330	4,232	2,853	3,134	3,931	22.8
Singapore	1,005	1,771	1,598	2,536	2,766	16.0
USA	1,731	2,309	1,713	1,893	2,196	12.7
Denmark	613	298	260	588	1,033	6.0

Country	2014	2019	2020	2021	2022	Share in Services Imports, 2022 (%)
Switzerland	183	609	500	647	1,018	5.9
UK	741	766	502	524	686	4.0
China	412	522	379	547	485	2.8
Ireland	117	175	234	305	365	2.1
Cook Islands	-	143	34	301	295	1.7
India	154	164	198	166	221	1.3
Bermuda	-	150	225	223	216	1.3
Fiji	240	270	45	13	178	1.0
Germany	246	636	502	244	172	1.0
Canada	102	163	126	133	159	0.9
Japan	140	165	93	162	159	0.9

Source: WTO and India Exim Bank Research

Existing Trade Agreements of New Zealand

New Zealand has established itself as a proactive and strategic player in international trade, leveraging a network of trade agreements to enhance its economic prospects and integration into the global economy. With its relatively small domestic market, New Zealand relies heavily on trade to drive its economic growth and ensure access to diverse markets for its goods and services. With a population of just over 5 million people, New Zealand lacks the scale to produce at affordable prices the diverse high-quality goods it imports. The jobs of more than 600,000 New Zealanders are mainly in direct export sectors or in sectors supporting exports. Overseas markets provide the opportunity for New Zealand businesses to grow to a scale.

The country's trade strategy is characterized by a commitment to free trade, economic openness and strong adherence to international trade rules. The Ministry of Foreign Affairs and Trade (MFAT) is the main governmental entity responsible for advising the Government on the formulation and implementation of New Zealand's trade policy. The MFAT also leads all FTAs and WTO negotiations.

Complementing New Zealand's core commitment to the WTO and global trade integration, New Zealand pursues comprehensive and high-quality FTAs at the bilateral, regional and plurilateral levels. New Zealand's trade agreements aim to eliminate or reduce tariffs, enhance market access and create a more predictable and transparent trading environment. These agreements cover a wide array of sectors, including agriculture, horticulture, manufacturing and services, reflecting the country's diverse economic base. Key motivations behind these trade agreements include boosting export earnings, fostering economic growth, attracting foreign investment and strengthening political and economic ties with partner countries. New Zealand has ratified 15 quality, comprehensive free trade agreements, including some of its main trading partners, namely China, Australia and Japan, covering a total of 55 countries, and is actively engaged in negotiations to conclude five FTAs, with the negotiations process currently underway (**Table 2.9**).

In addition to its FTAs, New Zealand has two long-standing trade agreements involving some reciprocity and under which it grants tariff preferences to a limited number of goods from Canada (i.e. Agreement on Trade and Economic Cooperation of 1981) and the UK.

Table 2.9: Trade Agreements of New Zealand

FTAs in Force	Members	Date of Enforcement	Tariff Concessions Offered by New Zealand	Tariff Concessions Offered by Partners
New Zealand-European Union Free Trade Agreement	New Zealand and EU Member States	May 01, 2024	Duties on 100% of EU goods exported to New Zealand were removed at the time of the FTA's entry into force, especially benefiting industrial and agricultural products.	91% of trade with the EU became duty-free upon entry into force (2024). This will increase to 97% after seven years.
Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)	New Zealand and 10 Asia-Pacific countries Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore and Vietnam	December 30, 2018	New Zealand liberalized 95% of its tariff lines immediately upon entry into force (2018). All remaining lines will be duty-free by 2024.	Partners will gradually liberalize tariff lines over a transition period, with countries like Singapore eliminating tariffs immediately, while others (e.g., Vietnam by 2039, Japan by 2038) take longer. 99% of tariff lines will be duty-free once fully implemented.
New Zealand - United Kingdom Free Trade Agreement	New Zealand and UK	May 31, 2023	New Zealand removed tariffs on 100% UK goods exports from the day of entry into force of the agreement, which includes reductions for clothing, footwear and vehicles such as buses and bulldozers.	A small number of New Zealand products will be liberalised over a longer time frame of up to 15 years but with significant new duty-free quota access provided in the interim. This includes apples (3 years), cheese and butter (5 years), and beef and sheep meat (15 years). 99.5% of New Zealand goods entered the UK tariff-free from entry into force of FTA (a combination of duty-free quotas and tariff elimination).
Regional Comprehensive Economic Partnership (RCEP)	New Zealand and 14 countries - Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, Vietnam, Australia, China, Japan and South Korea	January 01, 2022	Gradual elimination of tariffs over 20 years, focusing on food and manufactured goods. Flexibility for proof of origin documentation and faster customs clearance for perishable goods.	RCEP eliminates tariffs for about 92% of goods traded between RCEP member countries. Tariff barriers for New Zealand were further reduced in key markets like Indonesia. Customs processes streamlined, with perishable goods expected to clear customs within 6 hours.

FTAs in Force	Members	Date of Enforcement	Tariff Concessions Offered by New Zealand	Tariff Concessions Offered by Partners
Digital Economy Partnership Agreement (DEPA)	New Zealand, Chile and Singapore	January 7, 2021	No traditional tariffs: the focus is on non-tariff barriers and digital economy infrastructure (e.g., data flows, e-invoicing, digital inclusion).	No traditional tariffs: the agreement focuses on non-tariff barriers and enhancing the digital economy through cooperation on data flows and digital trade standards.
Pacific Agreement on Closer Economic Relations (PACER) Plus	New Zealand and other Pacific Island Forum members, Australia, Cook Islands, Kiribati, Niue, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu	December 13, 2020	All tariffs on goods from Pacific nations eliminated if they comply with the Rules of Origin.	Longer tariff schedules (25-35 years) for Pacific parties to develop trade capacity before reducing tariffs on New Zealand goods.
NZ-Australia Closer Economic Relations (CER) Trade Agreement	New Zealand and Australia	March 28, 1983	All tariffs and quotas between New Zealand and Australia were eliminated.	Australia removed all tariffs and quotas.
ASEAN-Australia-New Zealand free trade agreement (AANZFTA)	New Zealand, Australia and ASEAN Countries (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam). Australia, New Zealand, Brunei Darussalam, and Indonesia signed the AANZFTA upgrade on August 21, 2023	January 1, 2010	Almost full elimination of tariffs on goods, with 99% of goods entering duty-free through AANZFTA and other FTAs.	Full tariff elimination on goods entering ASEAN markets over time, with enhanced cooperation on non-tariff measures (NTMs).
New Zealand-Hong Kong, China CEP	New Zealand and Hong Kong	January 1, 2011	Immediate elimination of tariffs on all goods.	Locked-in duty-free access for New Zealand goods, with immediate removal of all tariffs.
New Zealand-Malaysia Free Trade Agreement	New Zealand and Malaysia	August 1, 2010	Tariffs eliminated on 99.5% of goods by 2016, and 99.8% by 2024.	Gradual elimination of tariffs on New Zealand goods, with the remaining tariffs removed under the CPTPP by 2033.

FTAs in Force	Members	Date of Enforcement	Tariff Concessions Offered by New Zealand	Tariff Concessions Offered by Partners
New Zealand-Thailand CEP	New Zealand and Thailand	July 1, 2005	Progressive elimination of tariffs and quotas on all goods by 2025.	By 2023, 86.5% of New Zealand exports (fisheries, forestry, apples, buttermilk, wine, honey, butter fats, frozen potato chips) enter Thailand duty-free. Final tariffs on dairy lifted by 2025.
Trans-Pacific Strategic Economic Partnership (P4)	Brunei Darussalam, Chile, Singapore and New Zealand	January 1, 2006	Duty-free imports from Singapore. 96% imports from Chile enjoyed duty free benefits during entry of agreement, remaining eliminated by 2015. Tariffs on 99% imports from Brunei were eliminated.	Tariffs on New Zealand's exports to Brunei and Chile eliminated in 2006, with the rest phased out by 2017. Singapore was already tariff-free through the NZ-Singapore CEP. Brunei excluded alcohol, tobacco and firearms from tariff elimination schedule for moral, human health and security reasons.
Korea-New Zealand Free Trade Agreement	New Zealand and Republic of Korea	December 20, 2015	New Zealand removed imports tariffs on 92% of products in terms of value, including tires and washing machines immediately. It removed tariffs on another 7,288 products over next seven years.	Tariffs removed on 98% of New Zealand's existing exports in stages over 20 years, including kiwifruit, beef, cheese, and dairy.
New Zealand-China FTA	New Zealand and China	October 1, 2008	All imports from China became tariff-free by 2021.	Tariffs on over 98% of New Zealand exports to China eliminated. By 2021, all exports (except dairy and a few excluded products) were tariff-free. Milk powder is a key New Zealand export which remains subject to tariffs under the safeguard until it is removed in 2024.
New Zealand-Singapore Closer Economic Partnership	New Zealand and Singapore	January 1, 2020	Tariffs on all goods traded between New Zealand and Singapore were eliminated, boosting trade volumes.	Singapore eliminated tariffs on all goods traded with New Zealand. It simplified customs clearance and recognized professional qualifications.

FTAs in Force	Members	Date of Enforcement	Tariff Concessions Offered by New Zealand	Tariff Concessions Offered by Partners
Other Agreements concluded but not in force	Members	Agreement Concluded		
Agreement on Climate Change, Trade and Sustainability (ACCTS)	New Zealand, Costa Rica, Iceland and Switzerland. Norway is also considering joining the agreement	July 2, 2024		
Anti-Counterfeiting Trade Agreement (ACTA)	New Zealand, the US, Australia, Canada, EU, Japan, Korea, Morocco, Mexico, Singapore and Switzerland	October 1, 2011		
Trans-Pacific Partnership Agreement (TPP)	New Zealand, Australia, Brunei Darussalam, Canada, Chile, Japan, Malaysia, Mexico, Peru, Singapore, the US and Vietnam	February 4, 2016		
Agreements under Negotiation	Members	Launch Date		
New Zealand - UAE FTA	New Zealand and UAE	May 6, 2024		
New Zealand - Gulf Cooperation Council FTA	New Zealand and GCC members including Saudi Arabia, United Arab Emirates, Qatar, Kuwait, Oman and Bahrain	2007		
Indo-Pacific Economic Framework for Prosperity	Australia, Brunei Darussalam, Fiji, India, Indonesia, Japan, the Republic of Korea, Malaysia, New Zealand, P h i l i p p i n e s , Singapore, Thailand, the US and Vietnam	May-22		

FTAs in Force	Members	Date of Enforcement	Tariff Concessions Offered by New Zealand	Tariff Concessions Offered by Partners
New Zealand - Pacific Alliance free trade agreement	New Zealand and Chile, Colombia, Mexico and Peru	2017		
WTO e-commerce negotiations	New Zealand and other WTO members	2017		
New Zealand-India FTA	New Zealand and India	April 2010		
New Zealand - RBK Customs Union FTA	New Zealand and Belarus, Russia and Kazakhstan	November 2010		

Source: New Zealand Foreign Affairs & Trade

New Zealand currently has FTAs with 55 countries. These 55 FTA partners accounted for 72.2% of New Zealand's exports and 83.1% of New Zealand's imports in 2023 (Table 2.10).

Table 2.10: New Zealand's Trade with FTA Partners

Countries	New Zealand's Exports			New Zealand's Imports		
	Value in 2022 (US\$ million)	Value in 2023 (US\$ million)	% Share in 2023	Value in 2022 (US\$ million)	Value in 2023 (US\$ million)	% Share in 2023
New Zealand Total	43,996.3	39,763.4	100.0	54,676.1	49,958.5	100.0
55 FTA Partners Aggregation	32,433.1	28,703.0	72.2	44,685.2	41,495.8	83.1
Australia	4,940.8	4,779.5	12.0	6,010.5	5,381.3	10.8
Austria	17.0	14.5	0.04	258.3	261.4	0.5
Belgium	162.6	185.6	0.5	358.9	342.2	0.7
Brunei Darussalam	2.8	4.2	0.01	105.4	63.9	0.1
Bulgaria	14.5	11.0	0.03	16.6	17.0	0.03
Cambodia	17.1	10.5	0.03	36.4	36.6	0.1
Canada	535.4	562.3	1.4	656.9	483.4	1.0
Chile	111.8	103.3	0.3	101.0	62.3	0.1
China	12,683.0	10,996.2	27.7	12658.0	10351.9	20.7
Cook Islands	65.0	71.1	0.2	0.6	0.9	0.002
Croatia	2.9	2.6	0.01	9.1	4.8	0.01
Cyprus	7.7	8.2	0.02	3.1	2.7	0.01
Czech Republic	24.3	28.3	0.1	194.1	218.3	0.4
Denmark	131.0	90.6	0.2	227.5	249.9	0.5
Estonia	5.2	5.6	0.01	15.2	11.7	0.02
Finland	7.9	10.1	0.03	134.1	136.9	0.3
France	296.5	293.9	0.7	961.9	1076.5	2.2
Germany	534.1	395.7	1.0	2273.2	2232.7	4.5

Countries	New Zealand's Exports			New Zealand's Imports		
	Value in 2022 (US\$ million)	Value in 2023 (US\$ million)	% Share in 2023	Value in 2022 (US\$ million)	Value in 2023 (US\$ million)	% Share in 2023
Greece	47.3	39.8	0.1	44.8	29.7	0.1
Hong Kong, China	599.8	549.8	1.4	67.3	58.5	0.1
Hungary	3.8	3.6	0.01	131.8	111.3	0.2
Indonesia	1,319.9	970.7	2.4	982.4	764.4	1.5
Ireland	66.0	75.7	0.2	245.7	289.8	0.6
Italy	190.1	147.1	0.4	1172.2	1164.2	2.3
Japan	2,621.0	2,229.9	5.6	3346.3	3338.9	6.7
Kiribati	5.5	7.9	0.02	0.2	0.0	-
Korea, Republic	1,632.0	1,359.0	3.4	3466.8	3708.8	7.4
Lao PDR	0.6	0.4	0.001	3.0	3.6	0.01
Latvia	5.8	7.0	0.02	18.8	13.5	0.03
Lithuania	12.2	11.3	0.03	33.4	19.4	0.04
Luxembourg	0.5	0.2	0.001	5.9	4.3	0.01
Malaysia	861.1	764.3	1.9	1690.4	2020.3	4.0
Malta	2.3	2.5	0.01	3.8	3.6	0.01
Mexico	3,15.6	322.0	0.8	403.5	390.3	0.8
Myanmar	24.0	3.6	0.01	8.3	7.9	0.02
Netherlands	674.9	613.9	1.5	476.8	461.5	0.9
Niue	10.6	11.4	0.03	0.1	0.1	-
Peru	79.8	69.7	0.2	42.3	30.2	0.1
Philippines	579.4	435.7	1.1	120.0	110.0	0.2
Poland	79.3	98.7	0.2	249.5	257.7	0.5
Portugal	20.4	22.4	0.1	61.2	53.0	0.1
Romania	11.0	12.8	0.03	58.0	55.8	0.1
Samoa	49.1	56.8	0.1	6.3	4.3	0.01
Singapore	1,026.5	930.4	2.3	2717.7	2776.3	5.6
Slovakia	2.4	2.7	0.01	118.6	86.0	0.2
Slovenia	2.4	2.1	0.01	22.9	23.6	0.05
Solomon Islands	16.9	17.6	0.04	8.7	7.0	0.01
Spain	85.6	91.0	0.2	423.9	439.4	0.9
Sweden	56.8	55.9	0.1	275.0	242.6	0.5
Thailand	880.8	750.7	1.9	2182.6	1832.6	3.7
Tonga	40.7	46.2	0.1	1.7	2.4	0.005
Tuvalu	3.8	3.0	0.01	0.0	0.0	-
UK	896.9	813.9	2.0	1260.8	1310.2	2.6
Vanuatu	24.5	28.3	0.1	0.8	0.8	0.002
Vietnam	624.2	571.5	1.4	1013.1	939.4	1.9

Source: ITC Trade Map and India Exim Bank Research

Notable Trade Agreements of New Zealand¹

Comprehensive and Progressive Agreement for Trans-Pacific Partnership

The Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) is a comprehensive trade agreement involving eleven countries: Australia, Brunei Darussalam (Brunei), Canada, Chile, Japan, Malaysia, Mexico, New Zealand, Peru, Singapore and Vietnam, signed in Santiago, Chile, on March 8, 2018. Similar to the case for other CPTPP members, the CPTPP overlaps with some of New Zealand's existing FTAs, including those with Australia, Brunei, Chile, Malaysia, Singapore, and Vietnam. The CPTPP provides comprehensive tariff elimination across all sectors. Once fully implemented, 99% of tariff lines among CPTPP parties will be duty-free.

It was motivated by the need to enhance economic integration among the Asia-Pacific economies, reduce reliance on traditional markets, and promote high-standard regulatory practices. The agreement aims to eliminate tariffs, foster a more competitive trading environment and promote sustainable development by addressing labour and environmental standards. The CPTPP has a combined GDP of over US\$ 13.5 trillion, offering New Zealand improved market access to some of the world's largest and fastest-growing economies.

The CPTPP provides comprehensive tariff elimination across all sectors. Once fully implemented, 99% of tariff lines among CPTPP parties will be duty-free, benefiting New Zealand exporters across various sectors. These tariff eliminations significantly enhance New Zealand's export potential, making its products more competitive in these markets. The CPTPP supports the growth of key industries such as agriculture, forestry, fisheries and manufacturing by providing preferential market access.

In trade in goods, New Zealand liberalized most of its tariff lines (about 95%) immediately upon the Agreement's entry into force in 2018, and all remaining lines will become duty-free by 2024. At the time of the Agreement's entry into force, about 59% of New Zealand's lines were duty-free on an MFN basis. Other parties will also liberalize most of their tariff lines, with some exceptions, over a transition period going from immediate (Singapore) to more than 20 years after entry into force, in the case of Vietnam (2039) and Japan (2038). The CPTPP also includes provisions for intellectual property protection, investment, services trade and e-commerce, making it easier for New Zealand businesses to operate in member countries. Additionally, the agreement enhances transparency and investor protections, fostering a stable and predictable business environment.

In services, under the CPTPP, New Zealand made commitments in all activities identified in the WTO Services Sectoral Classification list, except for health-related and social services, which are also unbound under its GATS schedule. These commitments were in general broader than under New Zealand's GATS schedule. For example, New Zealand took commitments in franchising, sewage, sanitation, entertainment, news agencies and internal waterways transport services, all unbound under the GATS, and expanded those in construction and related engineering services. In investment, the CPTPP provides for a higher screening threshold for transactions relating to significant business assets from investors from CPTPP parties (NZD 200 million instead of NZD 100 million), and for a mechanism for the settlement of disputes between investors and the host Party. This dispute settlement mechanism applies between New Zealand and all other CPTPP parties, except Australia, Brunei, Malaysia, Peru, and Vietnam, with whom New Zealand has secured reciprocal side letters agreeing to the non-application of this mechanism. According to the authorities, signatories to these side letters cover more than 80% of New Zealand's overseas investments from CPTPP countries as a whole.

¹ New Zealand Ministry of Foreign Affairs and Trade.

New Zealand-China Free Trade Agreement

The New Zealand-China Free Trade Agreement (NZ-China FTA) was established in 2008 to strengthen economic ties with China, New Zealand's largest trading partner. The agreement aimed to enhance market access for New Zealand's primary products, such as dairy, meat, forestry, and seafood. By reducing tariffs and trade barriers, New Zealand sought to boost export growth and deepen economic cooperation with China. Since its implementation in 2008, the NZ-China FTA has significantly increased bilateral trade between both countries. China is also New Zealand's largest source of international students, a significant source of foreign investment and a major tourism market. On April 7, 2022, the upgraded NZ-China FTA entered into force. It has eliminated further tariffs and improved tariff outcomes for sectors previously not covered in the free trade agreement like wood and paper products and compliance measures for exporters and aligned it with latest trade policies and business practices in areas of e-commerce, government procurement, environment and competition.

Tariffs were eliminated for over 98% of New Zealand exports to China, providing substantial benefits across key sectors. This has led to increased competitiveness and market share for New Zealand products in China. By 2021, all exports other than dairy and a small number of products that were excluded were eligible for tariff-free access to China. By 2021, all imports from China were eligible for tariff-free access. Additionally, the FTA includes provisions for trade in services, investment, and intellectual property, promoting a stable and transparent business environment. New Zealand received improved market access for its services exports in Chinese markets, including future-proofing rules that ensure service exporters in some sectors benefit from any improved access that China grants to other FTA partners.

New Zealand-European Union Free Trade Agreement

New Zealand's free trade agreement with the European Union, one of the world's largest trading entities, entered into force on May 1, 2024. The New Zealand-European Union Free Trade Agreement (NZ-EU FTA) aims to diversify New Zealand's markets and reduce dependency on traditional partners like Australia and China. The agreement seeks to provide New Zealand with a competitive edge in the European market, promoting sustainable and inclusive trade practices. By gaining access to one of the world's largest economic regions, New Zealand aims to expand its export base and enhance economic resilience. The NZ-EU FTA is projected to boost New Zealand's GDP by NZD 1.4 billion annually by 2030. From day one, 91% of New Zealand's trade with the EU will be duty-free, increasing to 97% after seven years. This agreement particularly benefits exports in wine, dairy, meat, fruit, and seafood sectors, enhancing New Zealand's trade footprint in the EU. By improving market access and reducing trade barriers, the NZ-EU FTA supports the growth of New Zealand's export sectors and strengthens economic ties with the EU. The agreement removes duties on all EU goods exported to New Zealand at its entry into force, including on food and drinks and particularly high duties on industrial products. Tariffs currently in place, up to 10%, will be removed on industrial and agricultural products including motor vehicles, machinery, pharmaceuticals, wine and chocolate.

Regional Comprehensive Economic Partnership

Regional Comprehensive Economic Partnership (RCEP) aims to foster economic integration among Asia-Pacific countries, enhancing market access and simplifying customs procedures. The 15 RCEP economies are home to almost a third of the world's population. The agreement entered into force on January 1, 2022, including for New Zealand. This agreement delivers a single set of rules with RCEP partners, making trade simpler and reducing compliance costs for exporters. RCEP addresses non-tariff barriers to trade in goods, reducing the

time exporters spend waiting for goods to clear customs, and helps create opportunities for exporters to get their products and services into regional value chains. By involving major economies such as China, Japan, and South Korea, RCEP seeks to boost regional supply chains and promote economic growth across member countries with a combined GDP of US\$ 26.2 trillion. The agreement targets the reduction of trade barriers and the promotion of a more integrated regional market.

The agreement entails a gradual elimination of tariffs on a substantial number of products over 20 years, promoting deeper economic ties and regional supply chain integration. This creates opportunities for New Zealand exporters to expand their market presence in key Asian markets, fostering long-term economic growth and stability. New Zealand has existing free trade agreements with all the RCEP countries, which have already eliminated tariffs on most of New Zealand's exports. However, RCEP further reduced tariff barriers for New Zealand's exports to Indonesia on some food items (including sheep meat, beef, fish and fish products, liquid milk, grated or powdered cheese, honey, avocados, tomatoes and persimmons) and manufactured goods.

RCEP creates an expectation that customs authorities will release 'perishable goods', such as seafood, within six hours of arrival, including (in exceptional circumstances) release of such goods outside normal business hours which should reduce spoilage and save exporters money. New Zealand exporters have the flexibility to choose from a variety of options for proof of origin documentation, including: third party issued certificates of origin, self-declaration by approved exporters and self-declaration by exporters and producers (subject to an implementation period). There is also enhanced transparency on import licensing procedures, commitments to facilitate future tariff transpositions, and a consultation mechanism (with clear and predictable processes and timeframes) to address non-tariff barriers.

New Zealand-Singapore Closer Economic Partnership

The New Zealand-Singapore Closer Economic Partnership (NZ-Singapore CEP) aims to strengthen bilateral economic ties by ensuring comprehensive market access for goods and services and promoting mutual investment opportunities. This agreement seeks to enhance trade relations by streamlining customs procedures and aligning regulatory standards, fostering a closer economic relationship between the two nations. The NZ-Singapore CEP facilitates trade by eliminating tariffs on all goods traded between New Zealand and Singapore, significantly boosting trade volumes and investment opportunities. The agreement also increases market access for services and aligns professional standards, promoting regulatory cooperation.

New Zealand visitors to Singapore are able to visit the city-state visa-free for three months and New Zealand companies with offices in Singapore are able to send employees to work there for up to eight years. The NZ-Singapore CEP also streamlines customs clearance for exports to Singapore and includes new arrangements which will simplify cross border requirements for primary products. It also has a non-legally binding side-letter on professional qualification recognition.

Australia-New Zealand Closer Economic Relations Trade Agreement

The Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) aims to promote closer economic integration between New Zealand and Australia by removing trade barriers and harmonizing regulations and standards. This agreement supports a seamless market with free movement of goods, services, and investments, fostering economic collaboration between the two countries. ANZCERTA has created a single

market for New Zealand and Australia, significantly contributing to economic growth in both countries. It has led to the complete elimination of tariffs and quantitative restrictions, fostering an environment of free trade and economic collaboration. The agreement also facilitates labour mobility and investment flows, promoting economic integration and development.

The ANZCERTA removed all tariffs and quotas cutting costs and red tape for goods exporters, allowed most services to be traded across the Tasman free of restriction, made it as easy to do business in Australia as it is in New Zealand and vice versa, made it easier to invest in each other's countries under the March 2013 Investment Protocol, reduced compliance costs for food exporters, provided more consumer choice and created common rules for food standards and lowered withholding taxes on certain payments made between New Zealand and Australia, through the Double Taxation Agreement.

New Zealand – South Korea Free Trade Agreement

The New Zealand-Korea Free Trade Agreement (NZ-Korea FTA), signed in 2015, aims to enhance economic relations and trade between New Zealand and South Korea. The agreement was motivated by the need to provide New Zealand exporters with better access to the South Korean market, one of Asia's most significant economies. The FTA facilitates the movement of goods and services, removes various trade barriers, provides greater certainty to investments, and establishes a framework for resolving trade-related issues. It also allows for more cooperation in such areas as agriculture, education, trade facilitation, science and technology, and film and television.

Tariffs are eliminated on around 98% of New Zealand's existing exports to Korea, in stages over 15 years from entry into force. As per tariff schedule, on Entry into Force (EIF), existing duty-free access would be "bound in" and existing tariffs will be eliminated on 48.3% of exports; and between 2 and 5 years after EIF, tariffs will be eliminated on a further 19% of exports. Five years after EIF, 67.4% of New Zealand's total exports to Korea will enter duty and quota free. Between 6 and 10 years after EIF, tariffs will be eliminated on a further 11.9% of exports, and 10 years after EIF, 79.3% of New Zealand's total exports to Korea will enter duty and quota free.

Between 11 and 15 years after EIF, tariffs will be eliminated on a further 18.6% of exports, and in 15 years after EIF, 97.8% of New Zealand's total exports to Korea will enter duty and quota free. Between 16 and 20 years after EIF, tariffs will be eliminated on a further 0.1% of exports, and by 20 years after EIF, 97.9% of New Zealand's total exports to Korea will enter duty and quota free.

By removing trade barriers and reducing tariffs, the FTA seeks to promote exports of key New Zealand products such as dairy, beef, and kiwifruit, as well as improve the overall business environment between the two countries. Since its implementation, the NZ-Korea FTA has significantly increased trade between the two nations. By providing comprehensive market access and reducing non-tariff barriers, the FTA supports the growth of New Zealand's export sectors and strengthens economic ties with South Korea.

ASEAN-Australia-New Zealand Free Trade Agreement

The ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) was created to enhance economic integration and cooperation between ASEAN member states, Australia, and New Zealand. Signed in 2010, it aims to lower trade barriers, increase market access, and promote investment flows. By engaging with a diverse group of countries, New Zealand sought to expand its export markets and reduce reliance on

traditional partners. AANZFTA has significantly boosted trade and investment between New Zealand and ASEAN countries. The AANZFTA Upgrade was signed in Indonesia on August 21, 2023. New Zealand has gained almost full elimination of tariffs on goods through AANZFTA and the other 6 FTAs across the region, meaning 99% of goods already enter duty free.

The Upgrade introduces a dedicated set of provisions that address non-tariff measures (NTMs). NTMs are requirements (other than tariffs) applied to imports and exports such as certification, testing, licencing, and health and safety measures. NTMs may, however, be implemented in a way that unreasonably hinders or distorts the free and open flow of trade – these are non-tariff barriers (NTBs). This upgrade also includes provisions for intellectual property, competition policy, and electronic commerce, enhancing the overall business environment.

PACER Plus

The Pacific Agreement on Closer Economic Relations Plus (PACER Plus) was designed to promote economic development and integration in the Pacific region. Signed in 2017, it includes New Zealand, Australia, and several Pacific Island countries. The agreement aims to enhance trade, investment, and economic cooperation, with a particular focus on capacity building and development assistance. PACER Plus establishes a common set of trading rules for the region, making it easier for businesses to trade throughout the Pacific and further afield. PACER Plus has facilitated trade and investment between New Zealand and Pacific Island countries by reducing tariffs and non-tariff barriers.

Under PACER Plus, all tariffs on goods from Pacific parties that export into New Zealand and Australia are eliminated as long as they comply with PACER Plus Rules of Origin. The schedules for the removal of tariffs is longer than is typical for most Free Trade Agreements, in some cases occurring over a 25-35 year time period; these extended periods allow time for Pacific parties to develop their trade capacity. The agreement establishes modernised and flexible Rules of Origin that create more opportunities for domestic value-adding for goods traded by Pacific parties. New Zealand has set a funding target of 20% of its total International Development Cooperation Funding on 'Aid for Trade' in the Pacific region.

Digital Economy Partnership Agreement

The Digital Economy Partnership Agreement (DEPA), which involves New Zealand, Chile and Singapore, focuses on the growing digital economy. Signed in 2020, it aims to address the challenges and opportunities posed by digital trade. The agreement covers data flows, digital inclusion and electronic invoicing, aiming to create a conducive environment for digital trade. DEPA facilitates digital trade by promoting regulatory cooperation and enhancing digital connectivity. The agreement helps businesses, especially small and medium enterprises (SMEs), to engage in international trade through digital platforms. By establishing high-standard digital trade rules, DEPA supports innovation and growth in the digital economy. The absence of traditional tariff schedules highlights the agreement's focus on non-tariff barriers and digital infrastructure improvements.

Key Provisions

- **Data Flows:** Ensures free and secure cross-border data flows
- **Digital Inclusion:** Promotes access to digital tools and technology
- **Electronic Invoicing:** Standardizes e-invoicing practices

DEPA's comprehensive framework enhances New Zealand's position in the digital trade landscape, fostering innovation and economic growth. New Zealand welcomed Canadian interest in joining DEPA in December 2020. In October 2021, the DEPA Parties agreed to commence negotiations with the Republic of Korea to formally join the DEPA.

New Zealand-Hong Kong, China Closer Economic Partnership

The New Zealand-Hong Kong, China Closer Economic Partnership (NZ-HK CEP) aims to strengthen economic ties between New Zealand and Hong Kong, leveraging Hong Kong's position as a global financial hub. Effective since 2011, the agreement covers trade in goods and services, investment, and intellectual property, fostering closer economic relations. The NZ-HK CEP has significantly boosted trade and investment between the two economies. All tariffs on goods were eliminated immediately upon the agreement's implementation, enhancing market access for New Zealand exporters. The agreement also includes provisions for trade in services, investment protection, and intellectual property rights, promoting a stable and transparent business environment. The immediate tariff elimination under the NZ-HK CEP supports robust trade flows, enhancing economic opportunities for businesses in both New Zealand and Hong Kong.

The CEP provides greater certainty of access to the Hong Kong services market, including private education, business services, environmental services and logistics. Government procurement is included in the agreement, ensuring New Zealand businesses can compete with Hong Kong businesses for government contracts on a level playing field. Locked in duty-free access for New Zealand goods into Hong Kong, providing greater certainty for exporters. Future-proofing rules that ensure service suppliers in some sectors will benefit from any improved access that Hong Kong might grant to other FTA partners in the future. Measures to facilitate trade include a 48-hour customs clearance of New Zealand goods entering Hong Kong, and easier trading through the already agreed rules on sanitary and phytosanitary measures, technical barriers to trade, intellectual property, competition policy and e-commerce.

New Zealand-Malaysia Free Trade Agreement (NZ-Malaysia FTA)

The NZ-Malaysia FTA, signed in 2009, aims to deepen economic ties between New Zealand and Malaysia by enhancing trade and investment flows. The agreement covers goods, services, and investment, seeking to remove barriers and promote economic cooperation. The NZ-Malaysia FTA has significantly increased bilateral trade, with most New Zealand exports to Malaysia becoming duty-free. The agreement also fosters cooperation in areas like education and agriculture, strengthening the economic relationship. By providing comprehensive market access, the FTA supports the growth of New Zealand's export sectors and promotes investment flows between the two countries. Further, in May 2023, the Strategic Partnership between New Zealand and Malaysia was signed.

Tariffs on 99.5% of New Zealand's exports to Malaysia were eliminated on January 1, 2016, and as of 2024, 99.8% of New Zealand exports enter Malaysia duty-free. The remaining tariffs are to be removed under CPTPP by 2033. The phased reduction and elimination of tariffs under the NZ-Malaysia FTA enhance New Zealand's export potential, promoting sustained trade growth with Malaysia. Other highlights of the agreement include the following: improved market access for New Zealand services providers, such as education, environmental, management consulting and veterinary services; future-proofing New Zealand's investment and key services interests through Most Favoured Nation (MFN) treatment; requiring Malaysia to automatically provide New Zealand with any better treatment it provides future FTA partners; more cooperation to create new

opportunities in areas of mutual interest including education, forestry, health, biotechnology, agrotechnology and manufacturing; and easier trading through agreed rules on: customs, sanitary and phytosanitary measures, standards, technical regulations and conformity assessment measures, intellectual property rules and competition policy. Alongside the FTA, New Zealand and Malaysia have signed Environment and Labour Agreements. These provide for more effective discussion and cooperation on labour and environmental matters. Additionally, the respective Qualifications Authorities from New Zealand and Malaysia have signed a Cooperation Arrangement that builds on previous areas on cooperation and allows greater flexibility in the recognition of qualifications project.

New Zealand-Thailand Closer Economic Partnership

New Zealand and Thailand are complementary economies, with Thailand exporting mainly manufactured goods to New Zealand, and New Zealand exporting agricultural goods and wood. The New Zealand-Thailand Closer Economic Partnership (NZ-Thailand CEP), effective since 2005, aims to reduce trade barriers and promote economic cooperation between New Zealand and Thailand. This agreement seeks to enhance market access for goods and services and foster investment flows. The NZ-Thailand CEP has facilitated trade by eliminating tariffs on nearly all goods traded between the two countries. The agreement has significantly boosted bilateral trade, benefiting sectors like agriculture, forestry, and seafood. By providing comprehensive market access and reducing non-tariff barriers, the CEP strengthens economic ties and supports the growth of New Zealand's export sectors.

Tariffs and quotas on all New Zealand's exports will be progressively eliminated by 2025. In 2023, 86.5% of New Zealand exports entered Thailand duty free, including all fisheries products, all forestry products, apples, buttermilk, wine, honey, butter fats and frozen potato chips. Under the CEP, the final tariffs and quotas on New Zealand dairy imports into Thailand are set to be lifted from 1 January 2025. Simplified Rules of Origin (ROO) for goods to qualify as tariff-free, including removing the requirement for a Certificate of Origin and replacing it with a declaration only. Easier trading through agreed rules on: customs, sanitary and phytosanitary measures, technical barriers to trade, electronic commerce, intellectual property and competition policy. More relaxed rules around temporary entry into Thailand for New Zealand business travellers. Improved investment environment under the 'national treatment' principal that investors in each other's countries be treated the same as local investors (with some restrictions). The comprehensive tariff eliminations under the NZ-Thailand CEP support robust trade flows, enhancing economic opportunities for businesses in both New Zealand and Thailand.

Alongside the CEP, New Zealand and Thailand have signed a number of arrangements, including on Labour and Environment, where both countries agree to ensure that their labour and environmental laws, regulations, policies and practices are in harmony with relevant international obligations.

Trans-Pacific Strategic Economic Partnership

The Trans-Pacific Strategic Economic Partnership (P4) agreement, involving Brunei, Chile, Singapore, and New Zealand, was signed in 2005. It aims to reduce trade barriers and promote economic cooperation between member countries. The P4 serves as a foundation for broader regional trade initiatives, including the CPTPP. The P4 agreement has significantly boosted trade and investment between member countries by eliminating tariffs on most goods and promoting regulatory cooperation. The agreement covers trade in goods and services, investment, and government procurement, fostering a stable and predictable trading environment.

By providing comprehensive market access, the P4 supports the growth of New Zealand's export sectors and promotes economic integration.

Tariffs on most of New Zealand's exports to Brunei and Chile were eliminated in 2006 and the remainder phased out by 2017. Singapore was already tariff-free under the NZ-Singapore CEP. Easier access to the three markets for New Zealand service providers, who are now able to compete on the same footing as domestic competitors in many sectors, including for government contracts. Easier trading and reduced red tape through changes to customs procedures, sanitary and phytosanitary procedures, technical barriers to trade, intellectual property and competition policy. 'Most Favoured Nation' treatment where if any outside country gets a more favourable trade arrangement with a member, New Zealand will automatically receive it too. A new focus on shared innovation and research and development – especially relating to cooperation in economic development, science, technology, education and agriculture. The comprehensive tariff eliminations under the P4 enhance market access for New Zealand products, supporting robust trade flows and economic integration with member countries.

New Zealand's FTAs are pivotal in promoting its economic interests, reducing tariffs, expanding market access and enhancing trade relationships. These agreements support sustainable development, create jobs, and contribute significantly to the country's overall economic growth.



India's Trade with New Zealand

India and New Zealand share a dynamic and evolving trade relationship characterized by diverse exchanges of goods and services. New Zealand identified India as a priority country in its Opening Doors to India policy in 2011. The trade relationship between the two countries has grown steadily over the years, bolstered by various economic agreements. Established diplomatic relations in 1952 laid the groundwork for this partnership, further strengthened by cultural exchanges and the presence of a significant Indian diaspora in New Zealand. According to data on ENZ.org (a New Zealand government affiliate), approximately 18,000 Indians have migrated to the country since 2011. As per the 2018 New Zealand census, Indians made up about 4.7% of the population. New Zealand has approximately 2,50,000 persons of Indian origin and NRIs, most of whom are settled there permanently. The bilateral trade includes a wide range of products, with India exporting pharmaceuticals, textiles, machinery and agricultural products, while New Zealand primarily exports dairy products, meat, wool and fruits.

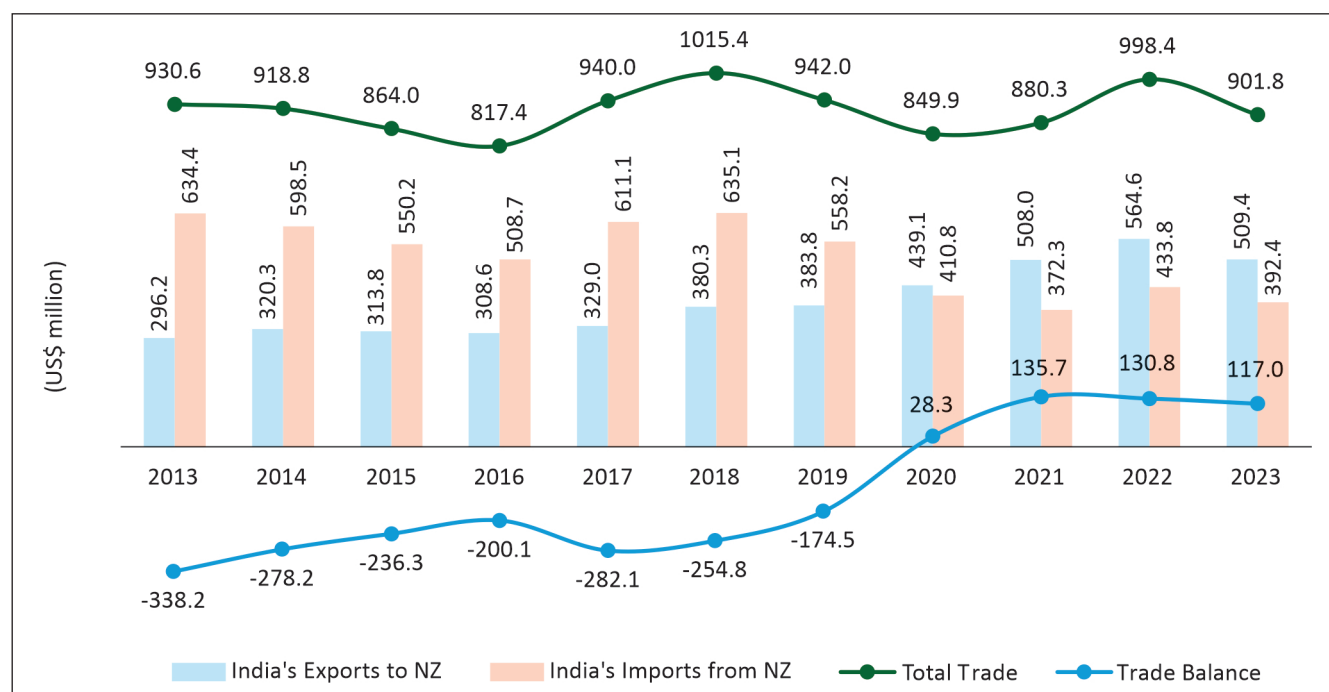
The economies of India and New Zealand are complementary in nature. New Zealand's advanced agricultural sector caters to India's large population's demand for dairy and meat products, while India's diverse manufacturing sector provides New Zealand with various industrial goods and textiles. Both countries are members of several multilateral trade agreements and forums, including the World Trade Organization (WTO), which facilitates smoother trade relations. There have also been ongoing discussions about a bilateral free trade agreement (FTA) to further enhance trade ties, recognizing the strategic importance of strengthening economic relations.

Despite the positive aspects, challenges remain in the bilateral trade relationship. Tariff and non-tariff barriers, regulatory differences and geographic distance pose significant hurdles. Certain tariffs and non-tariff measures still hinder the full potential of bilateral trade, while differences in regulatory standards and procedures can complicate trade operations. The considerable geographic distance between India and New Zealand can also lead to higher transportation costs and logistical challenges, impacting trade efficiency.

Nevertheless, opportunities abound for both nations to deepen their economic ties. Diversifying trade portfolios by exploring new sectors and products, collaborating in technology and innovation and increasing investments can open new avenues for trade. Both countries can leverage their respective strengths, such as New Zealand's expertise in agriculture and India's growing market, to foster greater economic cooperation. By addressing existing challenges and capitalizing on opportunities, India and New Zealand can further strengthen their trade relationship, contributing to prosperity and development in both regions.

The total trade between the two countries crossed US\$ 1 billion for the first time in 2018 but remained below the US\$ 1 billion mark thereafter in spite of recovery in the post-COVID period. Bilateral trade reached a peak of US\$ 998.4 million in 2022 before moderating again in 2023 (**Chart 3.1**). Despite these fluctuations, the trade balance with New Zealand has shown remarkable improvement, shifting from a deficit in the past years to a surplus since 2020, mainly reflecting the combination of India's strategic economic decisions and trade policies aimed at promoting export growth and reducing import dependency. The overall trends reflect India's growing export capabilities and successful bilateral trade strategies.

Chart 3.1: Bilateral Merchandise Trade between India and New Zealand



Source: ITC Trade Map and India Exim Bank Research

India's Merchandise Exports to New Zealand

During the last 10 years, India's exports to New Zealand have shown a significant upward trend from 2013 to 2023, rising from US\$ 296.2 million to US\$ 509.4 million. This growth was particularly notable between 2017 and 2022, with a peak in 2022. The increase in exports can be attributed to India's economic growth and diversification of export products, which facilitated smoother trade operations and opened new market opportunities in New Zealand. However, exports moderated in 2023 compared to the previous year (**Table 3.1**).

In 2023, pharmaceutical products had the highest share of India's exports to New Zealand, followed by mineral fuels and oils, other made-up textile articles and machinery and mechanical appliances in the same year. Notably, the top 15 export commodities comprised 66% of India's total exports to New Zealand in 2023.

At a disaggregated level, India's major exported products to New Zealand in 2023 include medicaments consisting of mixed or unmixed products, petroleum oils and oils obtained from bituminous minerals, bedlinen, table linen, toilet linen and kitchen linen, parts suitable for use solely or principally with the machinery and diamonds, among others.

Table 3.1: India's Major Export Commodities to New Zealand (US\$ million)

HS Code	Products	2014	2019	2022	2023	% Share (2023)
	India's Exports to New Zealand	320.3	383.8	564.6	509.4	100.0
30	Pharmaceutical products	37.3	38.0	53.4	59.5	11.7
27	Mineral fuels and mineral oils	2.8	2.1	89.2	54.8	10.8
63	Other made-up textile articles	20.5	30.1	33.5	34.3	6.7
84	Machinery and mechanical appliances	12.2	16.5	37.6	29.4	5.8
71	Natural or cultured pearls	17.7	16.8	24.5	19.0	3.7
62	Articles of apparel and clothing accessories, not knitted or crocheted	12.3	15.2	17.9	18.4	3.6
61	Articles of apparel and clothing accessories, knitted or crocheted	6.5	12.5	17.8	18.2	3.6
87	Vehicles other than railway or tramway	24.4	23.9	21.1	17.7	3.5
73	Articles of iron or steel	7.6	11.7	17.5	14.5	2.9
85	Electrical machinery and equipment	6.8	10.7	15.3	14.0	2.7
03	Fish and crustaceans, molluscs	3.6	5.1	16.7	13.6	2.7
10	Cereals	6.4	7.7	7.3	12.4	2.4
20	Preparations of vegetables, fruit, nuts	4.1	6.3	9.0	11.0	2.2
39	Plastics and articles thereof	13.9	9.7	12.1	10.9	2.1
48	Paper articles of paper pulp	1.0	4.7	7.6	10.7	2.1

Source: ITC Trade Map and India Exim Bank Research

India's Merchandise Imports from New Zealand

Conversely, India's imports from New Zealand have generally decreased over the same period, falling from US\$ 634.4 million in 2013 to US\$ 392.4 million in 2023 (**Table. 3.2**). Possible reasons for this trend include increased domestic production of goods previously imported from New Zealand, sourcing alternatives from other countries and changes in trade policies that may have affected import volumes.

Mineral fuels and mineral oils constituted the largest items imported by India from New Zealand in 2023, constituting about 18.9% of total imports. Other key imported products from New Zealand in 2023 include pulp of wood or of other fibrous cellulosic material, aluminium and articles, iron and steel, wool, fine or coarse animal hair, edible fruit and nuts and albuminoidal substances; modified starches.

At a disaggregated level, the top imported commodities included coal; briquettes, ovoids and similar solid fuels manufactured from coal; waste and scrap of aluminium (excluding slags, scale and the like from iron and steel production); ferrous waste and scrap; wool, neither carded nor combed, and wood pulp obtained by a combination of mechanical and chemical pulping processes, among others.

Table 3.2: India's Major Import Commodities from New Zealand (US\$ million)

HS Code	Product label	2014	2019	2022	2023	% Share in 2023
	India's Imports from New Zealand	598.5	558.2	433.8	392.4	100.0
27	Mineral fuels and mineral oils	123.6	83.2	62.2	74.3	18.9
47	Pulp of wood or of other fibrous cellulosic material	20.2	55.8	103.5	51.3	13.1
76	Aluminium and articles	17.1	24.8	31.9	39.2	10.0
72	Iron and steel	20.2	33.1	32.7	38.8	9.9
51	Wool, fine or coarse animal hair	36.2	23.2	37.5	38.0	9.7
08	Edible fruit and nuts	23.4	31.7	34.8	30.6	7.8
35	Albuminoidal substances; modified starches	5.4	14.4	22.9	25.9	6.6
90	Optical, photographic equipment	5.9	11.8	12.5	11.5	2.9
84	Machinery and mechanical appliances	10.8	6.1	27.9	10.5	2.7
44	Wood and articles of wood	248.5	196.4	13.7	9.5	2.4
85	Electrical machinery and equipment	5.3	3.9	6.7	7.3	1.9
17	Sugars and sugar confectionery	5.2	3.2	7.7	6.6	1.7
12	Oil seeds and oleaginous fruits	3.1	1.7	5.0	6.6	1.7
29	Organic chemicals	2.7	7.2	3.4	5.7	1.5

Source: ITC Trade Map and India Exim Bank Research

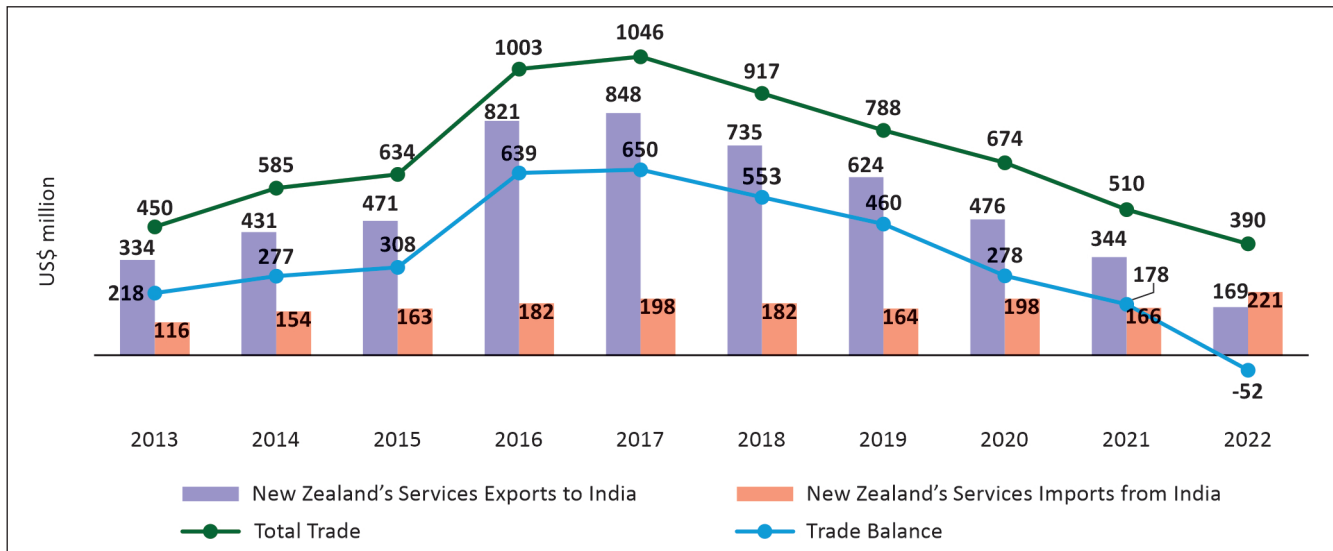
India's Services Trade with New Zealand

A decadal analysis of the trends reveals a significant decline in the bilateral trade in services between India and New Zealand. After peaking to US\$ 1,046 million in 2017 from US\$ 450 million in 2013, total trade moderated to US\$ 390 million in 2023 (**Chart 3.2**).

Several factors likely contributed to these trends. The COVID-19 pandemic had a substantial impact on the global economy, disrupting both exports and imports of services. Travel restrictions, lockdowns and reduced business activities would have significantly decreased the demand for services. Additionally, global economic uncertainty and changing market conditions could have further reduced demand, affecting the volume of trade in services between the two countries.

Supply chain disruptions also played a role, as they affected the availability and delivery of services, contributing to the overall decline in trade volumes. Despite these declines, the trade balance improved slightly for India, with the deficit narrowing from US\$ 460 million in 2020 to US\$ 178 million in 2021, before recording a surplus of US\$ 52 million. This improvement was primarily due to the larger reduction in imports compared to exports. Changes in trade policies or bilateral relations between India and New Zealand may have also influenced these trade dynamics, highlighting a challenging economic environment shaped by both external and internal pressures.

Chart 3.2: New Zealand - India Services Trade



Source: WTO and India Exim Bank Research

New Zealand's Services Exports to India

India's services imports from New Zealand (~ New Zealand's Services Exports to India) experienced a significant decline in the recent past, dropping from US\$ 848 million in 2017 to US\$ 169 million in 2022 (**Chart 3.2**). Travel services, in particular personal travel for education-related services, remained India's major services imports from New Zealand. Other sectors, such as personal, cultural and recreational services and telecommunications, computer and information services are other significant contributors (**Table 3.3**).

Table 3.3: New Zealand's Services Exports to India (US\$ million)

Product/Sector	2014	2019	2020	2021	2022	Share in Services Exports in 2022 (%)
New Zealand's Services Exports to India	431	624	476	344	169	100.0
Government goods and services	16	12	7	5	8	4.7
Commercial services	416	612	469	339	162	95.9
Travel	405	589	580	329	27	16.0
Business	8	15	4	-	-	-
Personal	-	574	576	328	27	16.0
Education-related	319	448	504	319	25	14.8
Other (Personal)	78	126	72	9	2	1.2
Other commercial services	12	-	-	-	-	-
Charges for the use of intellectual property	1	-	-	-	-	-
Telecommunications, computer and information services	1	1	1	-	1	0.6

Product/Sector	2014	2019	2020	2021	2022	Share in Services Exports in 2022 (%)
Computer services	-	-	1	-	-	-
Other business services	3	2	2	4	5	3.0
Technical, trade-related and other business services	-	-	-	1	-	-
Personal, cultural and recreational services	1	-	1	-	2	1.2

Note: “-” nil or negligible

Source: WTO and India Exim Bank Research

New Zealand’s Services Imports from India

India’s services exports to New Zealand (~ New Zealand’s service imports from India) increased from US\$ 154 million in 2014 to US\$ 164 in 2019, and further to US\$ 198 million in 2020 in spite of the COVID pandemic. While services exports to New Zealand declined to US\$ 166 million in 2021, it quickly recovered in 2022 reaching a new peak of US\$ 221 million (**Chart 3.2**). Travel services, which accounted for 71% of India’s services exports to New Zealand in 2022, were the main driver of India’s services exports to New Zealand, followed by telecommunications, computer and information services (**Table 3.4**).

Table 3.4: Services Exports of India to New Zealand (US\$ million)

Product/Sector	2014	2019	2020	2021	2022	Share in 2022 (%)
New Zealand’s Services Imports from India	154	164	198	166	221	100.0
Government goods and services	6	5	3	5	5	2.3
Commercial services	148	159	195	161	216	97.7
Travel	81	104	139	94	157	71.0
Business	5	8	4	2	1	0.5
Personal	-	96	135	92	154	69.7
Education-related	1	7	3	-	1	0.5
Other (Personal)	75	89	132	92	153	69.2
Insurance and pension services	-	2	7	5	8	3.6
Reinsurance	-	2	7	5	8	3.6
Charges for the use of intellectual property	3	2	-	-	1	0.5
Telecommunications, computer, and information services	39	25	25	35	18	8.1
Computer services	-	-	-	3	10	4.5
Other business services	22	23	11	24	16	7.2
Professional and management consulting services	-	-	2	-	-	-
Legal, accounting, management consulting, and public relations services	-	4		2	2	0.9

Product/Sector	2014	2019	2020	2021	2022	Share in 2022 (%)
Technical, trade-related, and other business services	-	13	7	16	11	5.0
Architectural, engineering, scientific, and other technical services	-	-	1	-	3	1.4
Trade-related services	-	1	1	-	-	-
Other business services	-	3	-	-	2	0.9
Personal, cultural, and recreational services	1	-	-	-	-	-

Note: “-” implies nil/negligible/not available

Source: WTO and India Exim Bank Research



Present Barriers in Trade

There is wide consensus that liberalization of trade and foreign direct investment (FDI) can lead to improved resource allocation across firms and sectors, boosting productivity and output. The most common barrier to trade is a tariff, which is imposed by the destination country on merchandise imports. Tariffs give a price advantage to locally produced goods over similar goods which are imported, and they raise revenues for governments. The different types of tariff terminologies and data used in the present analysis are as follows.

Most Favoured Nation Tariff

The most favoured nation (MFN) tariffs are what countries promise to impose on imports from other members of the WTO, unless the country is part of a preferential trade agreement (such as a free trade area or customs union). MFN rates are, therefore, the highest (most restrictive) tariffs that WTO members charge one another.

Some countries impose higher tariffs on countries that are not part of the WTO. In some rare cases, WTO members/GATT contracting parties have invoked the “Non-Application Clause” of WTO/GATT agreements and chosen not to extend MFN treatment to certain other countries.

Bound Tariff

Bound tariffs (BND) are specific commitments made by individual WTO member governments. The bound tariff is the maximum MFN tariff level for a given commodity line. When countries join the WTO or when the WTO members negotiate tariff levels with each other during trade rounds, they make agreements about bound tariff rates, rather than actually applied rates.

Bound tariffs are not necessarily the rate that a WTO member applies in practice to other WTO members’ products. Members have the flexibility to increase or decrease their tariffs (on a non-discriminatory basis) so long as they do not raise them above their bound levels. If one WTO member raises applied tariffs above their bound level, other WTO members can take the country to dispute settlement. If the country did not reduce applied tariffs below their bound levels, other countries could request compensation in the form of higher tariffs of their own. In other words, the applied tariff (actual tariff) is less than or equal to the bound tariff in practice for any product.

The gap between the bound (committed and difficult to increase) and applied MFN rates is called the binding overhang. It is argued that a large binding overhang makes a country’s trade policies less predictable. This gap tends to be small on average in industrial countries and often large in developing countries.

Effectively Applied Tariff

Effectively applied tariff (AHS) is the actual tariff imposed upon the country. WITS database of the World Bank uses the concept of effectively applied tariff which is defined as the lowest available tariff. If a preferential tariff exists, it will be used as the effectively applied tariff. Otherwise, the MFN applied tariff will be used. The importing country will apply the MFN tariff if the product fails to meet the country's rules that determine the product's country of origin.

Preferential Tariff

A preferential tariff (PRF) falls under a preferential trade agreement, where countries make a deal in which they agree to charge a lower rate than the MFN rate. Virtually all countries in the world are part of at least one preferential trade agreement, under which they promise to charge lower tariffs than their MFN rate on another country's products. In a customs union (such as the Southern Africa Customs Union or the European Community) or a free trade area (e.g., NAFTA), the preferential tariff rate is zero on essentially all products. These agreements are reciprocal – all parties agree to give each other the benefits of lower tariffs. Some agreements specify that members will receive a percentage reduction from the MFN tariff, but not necessarily zero tariffs. Preferences, therefore, differ between partners and agreements.

New Zealand Tariffs

New Zealand's tariff implementation rules and procedures are contained in a consolidation of two legislative pieces, namely the Tariff Act 1988 as amended and the Customs and Excise Act 2018. The Tariff of New Zealand is divided into two parts. Part I relates to the Standard Tariff and it sets out the classification of all international trade and import duty rates. Part II relates to concessions; it outlines the concession categories to reduce or waive a duty that would usually be applied under Part I.²

In December 2021, the Tariff (Harmonized System) Amendment Order 2021 aligned New Zealand's tariff nomenclature on HS22, effective January 1, 2022. The schedules of product specific rules of origin for all of New Zealand's existing FTAs have been likewise transposed to reflect HS22 nomenclature. In 2017, New Zealand issued a government decision that tariff levels would remain unchanged from their current levels, except where they were reduced through WTO or trade agreements.³

New Zealand Customs is responsible for collecting duty (if applicable) on imported goods. Duty on New Zealand imports is typically calculated as a percentage of the cost of the goods free on board (f.o.b.). In some cases, duty is calculated based on a charge on a specific unit of weight, volume, or other measurement ("specific" rate). Occasionally, duty is calculated based on a combination of ad valorem and specific rates. Ad valorem duty is assessed on the f.o.b. value of the goods.

² New Zealand Customs Service.

³ Office of the Minister of Commerce and Consumer Affairs, Import Tariff Levels After 2017.

Table 4.1: Summary of New Zealand's Tariffs, 2023

Part A.1

Tariffs and Imports: Summary and duty ranges

Summary		Total	Ag	Non-Ag	WTO member since		1995
Simple average final bound		9.5	5.8	10.2	Binding coverage	Total	100
MFN applied						Non-Ag	100
Simple average	2023	1.9	1.4	2.0	Ag. Tariff quotas (in %)		0.6
Trade weighted average	2023	2.3	2.1	2.3	Ag. Special safeguards (in %)		0.6
Imports in billion US\$	2022	54.1	6.1	47.9			

Frequency distribution		Duty-free	0<=5	5<=10	10<=15	15<=25	25<=50	50<=100	>100	NAV in %
		Tariff lines and import values (in %)								
Agricultural products										
Final bound		55.9	2.8	12.3	16.2	10.6	2.2	0	0	0.2
MFN applied	2023	72.5	27.5	0	0	0	0	0	0	0.1
Imports	2022	52.1	47.9	0	0	0	0	0	0	0.2
Non-Agricultural products										
Final bound		49.0	6.9	8.5	2.9	20.8	11.1	0.3	0.0	3.6
MFN applied	2023	65.1	29.3	5.2	0	0	0.0	0	0	0.4
Imports	2022	63.6	31.8	4.1	0	0	0.0	0	0	0.4

Part A.2

Tariffs and Imports by product groups

Product groups	Final bound duties				MFN applied duties			Imports	
	AVG	Duty-free in %	Max	Binding in %	AVG	Duty-free in %	Max	Share in %	Duty-free in %
Live animals and meat	6.9	46.8	22	100	1.3	73.3	5	0.4	49.6
Dairy products	9.9	4.0	21	100	1.3	73.3	5	0.4	49.6
Fruits and vegetables	6.5	47.4	35	100	1.3	73.9	5	1.2	68.7
Coffee, tea, cocoa and spices	6.7	50.6	22	100	2.2	56.2	5	0.8	31.9
Cereals and food preparations	10.1	35.2	26	100	2.7	46.5	5	2.7	28.5
Oil seeds, fats and oils	1.5	86.6	22	100	0.4	91.2	5	0.7	90.7
Sugars and confectionery	3.5	66.2	15	100	1.4	72.1	5	0.7	39.3
Beverages and tobacco	12.9	19.0	43	100	3.1	37.6	5	1.4	34.9
Cotton, silk and wool	0.0	100.0	0	100	0.0	100.0	0	0.0	100.0
Other agricultural products	1.5	84.2	21	100	0.4	91.8	5	2.9	75.8
Fish and fish products	1.4	89.5	22	100	0.3	93.4	5	0.4	81.1
Minerals and metals	8.8	45.4	45	100	1.8	63.4	10	8.9	39.6
Petroleum	3.8	79.3	27	100	0.5	90.2	5	11.1	99.5
Chemicals	4.5	73.0	716	100	0.7	86.8	10	14.5	68.2
Wood, paper, furniture	4.9	70.8	35	100	1.5	69.8	10	4.1	55.4
Textiles	10.6	35.3	45	100	1.9	66.7	45	2.2	20.0
Clothing	38.8	0.2	112	100	9.7	1.3	10	2.5	0.0
Rubber, leather and footwear	15.9	25.5	45	100	3.2	46.3	10	1.9	22.4

Product groups	Final bound duties				MFN applied duties			Imports	
	AVG	Duty-free in %	Max	Binding in %	AVG	Duty-free in %	Max	Share in %	Duty-free in %
Mechanical, office and computing machinery	14.0	32.4	35	100	2.8	44.7	5	13.0	49.6
Electrical machinery and electronic equipment	10.9	45.5	45	100	2.1	57.8	10	9.3	62.4
Transport equipment	15.7	34.2	55	100	2.9	47.9	10	15.0	83.4
Other Manufactures	8.6	50.4	45	100	1.5	69.1	10	5.7	64.8

Source WTO World Tariff Profiles 2024

Applied MFN tariffs remain relatively low in New Zealand, with a simple average of 1.9% in 2023. Based on the WTO definition, the average applied rate for agricultural products was 1.4% in 2023. For non-agricultural products, the average rate was 2% in 2023 (**Table 4.1**). There are three different ad valorem rates: 0%, 5%, and 10% (only applied to non-agricultural products). Tariffs of 5 or 10% apply to some imported goods including some textiles, footwear, processed foods, machinery, steel and plastic products. Preferential duties are tariff rates that are lower than the normal New Zealand tariff rates. They apply to goods from countries that New Zealand has trade agreements with. The average preferential tariffs in the agreements negotiated by New Zealand are all well below the average MFN rate. Average preferential tariffs range from 0.0% to 2.2%.

Table 4.2: MFN Tariff Summary of New Zealand, 2022

MFN Tariff Rates (%)	No. of Tariff Lines	Share in Tariff Lines (%)	Imports (US\$ million)	Share in Imports (%)
0	3,745	45.2	208,38.0	38.5
0.1-1.0	173	2.1	359.0	0.7
1.1-4.9	2,175	26.3	8,997.9	16.6
5.0	1,675	20.2	11,959.4	22.1
5.1-7.5	176	2.1	4,807.4	8.9
7.6- 9.9	25	0.3	131.6	0.2
10.0	300	3.6	1,482.1	2.7
Duty not Specified	14	0.2	5,528.4	10.2
Total	8,283	100.0	54103.9	100.0

Note: Import wise tariff data is available only till 2022

Source: WITS database and India Exim Bank Research

In the current analysis, the tariff data at 6-digit HS code are being examined, using TRAINS based WITS data for the year 2022. The applied MFN tariff for 2022 contains 8,283 lines at the HS 6-digit level, with 99.8% of these lines carrying ad valorem duties. Notably, 45.2% of tariff lines remain duty-free, representing 38.5% of New Zealand's imports for the year 2022. Additionally, 6% of the tariff lines have MFN tariff rates above 5% (**Table 4.2**). The maximum tariff rate of 10% is applicable for 300 traded tariff lines, which represent imports of US\$ 1.5 billion (2.7% share in total imports) in 2022. These tariff lines mostly belong to Chapters HS-42 (articles of leather); HS-57 (carpets and other textile floor coverings); HS-61 (articles of apparel and clothing accessories, knitted or crocheted); HS-62 (articles of apparel and clothing accessories, not knitted or

crocheted); HS-64 (footwear, gaiters and the like); HS-65 (headgear and parts) and HS-87 (transport vehicles). Alcoholic beverages (including beer, wine, and spirits), tobacco products and some petroleum products are subject to excise duties which also apply to similar items produced domestically.

Tariff on New Zealand's Imports from India

Table 4.3 breaks down the simple average of the effectively applied tariff (AHS) imposed by New Zealand on imports from India. There are 1,594 tariff lines (at 6-digit HS code) that have effectively applied tariff rate of 0%, amounting to total imports of US\$ 372.3 million in 2022, representing 46.1% of the total imports of New Zealand from India in 2022. Additionally, there are 511 tariff lines within the 0.1-2.4% bracket and 984 lines under 2.5-4.9% effectively applied tariff rates, respectively, together amounting to 18.3% of India's total imports from New Zealand. The highest amount of tariff imposed by New Zealand on imports from India is 10%, and there are 319 tariff lines with tariffs ranging from 7.5% to 10%, which represents an 8% share of total imports in 2022.

Table 4.3: Effectively Applied Tariff on New Zealand's Imports from India, 2022

AHS Tariff Rates (%)	No. of Tariff Lines	Share in Tariff Lines (%)	Imports (US\$ million)	Share in Imports (%)
0	1,594	37.1	372.3	46.1
0.1-2.5	511	11.9	43.7	5.4
2.5-5.0	984	22.9	104.1	12.9
5.1-7.5	880	20.5	169.9	21
7.5-10.0	319	7.4	64.4	8
Duty not Specified	8	0.2	53.9	6.7
Total	4,296	100.0	808.3	100.0

Note: Import data do not match with respect to data in bilateral section as import data are taken from importer point of view (i.e., based on data reported by New Zealand authorities) while bilateral section pertains to data reported by India, with a discrepancy of approximately US\$ 300 million when compared side by side.

Source: WITS database and India Exim Bank Research

The Generalised System of Preferences (GSP) is an international system of tariff preference designed to promote economic growth of developing countries, by offering select developing countries duty-free or reduced tariff treatment on certain products imported into developed countries. New Zealand's GSP scheme came into effect in January 1972, with the country recently revising its lists of beneficiary countries under the GSP with effect from 1 October 2023. In accordance with the GSP, New Zealand grants special treatment to certain goods that are the produce or manufacture of countries recognised as a Less Developed Country (LDC) or as a Least Developed Country (LLDC). India comes under the LDC category and is eligible for New Zealand's GSP. While an LDC duty rate is not available for all goods, in case goods are eligible, it is generally 80 percent of the Normal rate of tariff duty. In contrast, the LLDC duty rate of 'free' applies to all goods of LLDC origin. New Zealand accepts goods wholly produced in India from imported un-manufactured raw materials, irrespective of their source, as wholly obtained.

Table 4.4 disintegrates the simple average of the preferential tariff (PRF) by New Zealand on imports from India. In 2022, a total of US\$ 53 million of exports from India to New Zealand enjoyed preferential tariffs. Of this, 21.5% of the total exports – equivalent to US\$ 11.4 million – enjoyed a preferential treatment tariff rate

of 0%, while US\$ 22.2 million of exports fell within 0.1 to 2.4% tariff bracket. Additionally, US\$ 19.3 million of exports were under preferential tariff rates of 2.5 to 4.9%. The highest amount of tariff imposed by New Zealand on exports from India is 6.4%, applied to HS-961900 (sanitary towels and tampons), a category that accounted for only US\$ 0.2 million of Indian exports to New Zealand in 2022.

Table 4.4: Preferential Tariff on New Zealand’s Imports from India, 2022

PRF Tariff Rates (%)	Imports (US\$ million)	Share in Imports (%)
0	11.4	21.5
0.1-2.4	22.2	41.8
2.5-5.0	19.3	36.3
6.4	0.2	0.4
Total	53.2	100.0

Source: WITS database and India Exim Bank Research

India’s Position in the Value Chain of New Zealand

In this analysis, India’s exports to New Zealand are examined in the context of value chain. Globalisation, falling trade costs and technological progress have driven international fragmentation of production and led to the development of the global supply chains. These changes the nature of production of goods and services, breaking manufacturing processes into different stages, allowing for intermediate inputs to be sourced from the most efficient producers, even if they are located in different regions.

The World Integrated Trade Solution (WITS) classifies the trade of goods into different stages of processing: raw materials, intermediate goods, consumer goods or capital goods. Raw materials and intermediate goods serve as inputs for further production, while consumer goods and capital goods are considered finished products ready to use. The trade of intermediate goods reflects a country’s participation in global value chains.

The primary aim of this classification is to provide a comprehensive understanding of the current standing of India’s exports in the context of New Zealand’s value chain. By delineating these categories, the analysis seeks to highlight strategic opportunities for India to enhance and elevate its position within the value chain. This involves a nuanced exploration of how India can enhance its role, potentially by focusing on the production and export of higher value goods or by optimizing its existing contributions to the value chain.

The overarching goal is to enable India to ascend the value chain, a process that holds the promise of yielding greater profits for the country. As India enhances its position in the value chain, the economic benefits derived from exports to New Zealand are expected to increase. This strategic enhancement is envisioned not only to bolster financial gains but also to fortify the overall resilience and competitiveness of India’s exports to New Zealand.

Currently, India mostly exports consumer goods to New Zealand – in terms of both tariff lines and export value, with a share of 53.7% in total exports, followed by capital goods and intermediate goods (**Table 4.5**).

Table 4.5: Classification of New Zealand's Imports from India - Broad Use Category, 2022

Product Category	Simple Average MFN (%)	Weighted Average MFN (%)	No. of Tariff Lines	Share in Tariff Lines (%)	New Zealand's Imports from India (US\$ million)	Share in Total Imports (%)
Raw materials	0.25	0.04	127	3.0	23.9	3.0
Intermediate goods	1.17	1.29	1104	25.7	120.9	15.0
Consumer goods	4.24	3.73	1,729	40.2	433.7	53.7
Capital goods	1.98	1.97	898	20.9	121.8	15.1
Unclassified	-	-	438	10.2	108.0	13.4
Total Imports from India	-	-	4,296	100.0	808.3	100.0
WTO HS Agricultural	1.45	1.81	476	11.1	78.9	9.8
WTO HS Industrial	2.67	2.84	3,552	82.7	598.0	74.0
WTO HS Petroleum	-	-	1	0.0	53.7	6.6
Others	-	-	267	6.2	77.7	9.6
Total Imports from India	-	-	4,296	100.0	808.3	100.0

Source: WITS database and India Exim Bank Research

Tariff on India's Imports from New Zealand

This section analyzes the tariffs imposed by India on New Zealand's exports at 6-digit HS code level, utilizing TRAINS based WITS data. **Table 4.6** disintegrates the simple average of the effectively applied tariff by India on New Zealand exports.

In 2022, India imposed the effectively applied tariff of 0% on 76 tariff lines (at 6-digit HS code), which amounts to imports of US\$ 3.9 million, constituting 0.9% of India's imports from New Zealand. There are 34 tariff lines under 1.0-4.9% AHS, corresponding to imports valued at US\$ 2.9 million, representing 0.7% share in India's imports from New Zealand.

Additionally, there are 386 tariff lines with imports amounting to US\$ 174.3 million under the 5%-9.9% effectively applied tariff. This category comprise 40.2% of India's imports from New Zealand in 2022. Further, there are 651 tariff lines with India's imports from New Zealand amounting to US\$ 103.5 million, facing effectively applied tariff between 10% to 14.9%.

There are 196 tariff lines facing effectively applied tariffs between 15%-19.9%, with imports amounting to US\$ 34.3 million in 2022, which corresponds to 7.9% of the total imports of India from New Zealand in 2022. Another 137 tariff lines are facing 20%-29.9% effectively applied tariff rate, which corresponds to 8% of the total imports in 2022, amounting to US\$ 34.6 million. Further, there are 167 tariff lines facing 30% to 150% effectively applied tariff rate, which corresponds to 18.2% of the total imports in 2022, amounting to US\$ 78.8 million. Lastly, there are 19 tariff lines under the category of unspecified ratings, amounting to only 0.3% of the total share of imports from New Zealand in 2022.

Table 4.6: Effectively Applied Tariff on India's Imports from New Zealand, 2022

AHS Tariff Rates (%)	No. of Tariff Lines	Share in Tariff Lines (%)	Imports (US\$ million)	Share in Imports (%)
0	76	4.6	3.9	0.9
0.1-4.9	34	2.0	2.9	0.7
5.0-9.9	386	23.2	174.3	40.2
10.0-14.9	651	39.1	103.5	23.9
15.0-19.9	196	11.8	34.3	7.9
20.0-29.9	137	8.2	34.6	8.0
30.0-39.9	115	6.9	52.6	12.1
40.0-49.9	10	0.6	0.4	0.1
50.0-99.9	10	0.6	24.2	5.6
100.0-150.0	32	1.9	1.6	0.4
Duty not specified	19	1.1	1.4	0.3
Total	1,666	100.0	433.7	100.0

Source: WITS database and India Exim Bank Research

India's imports from New Zealand largely comprise raw materials, totalling US\$ 219.5 million across 120 tariff lines (**Table 4.7**). India has the highest number of tariff lines for capital and consumer goods, significantly impacting the overall import values of the respective goods. While the high number of tariff lines can be seen as an attempt from India to protect its domestic producers from price shocks and global competition, India might consider reassessing its import tariff structure, especially concerning capital goods, to encourage investment in local manufacturing. India could take cues from Japan's method of effectively utilizing imports by reducing duties on essential intermediate and capital goods, as excessively high import duties might discourage foreign investors.

Table 4.7: Classification of India's Imports from New Zealand - Broad Use Category, 2022

Product Category	Simple Average MFN (%)	Weighted Average MFN (%)	No. of Tariff Lines	India's Imports from New Zealand (US\$ million)	Share in Imports (%)
Raw materials	16.49	18.11	120	219.5	50.6
Intermediate goods	15.83	11.38	314	144.2	33.2
Consumer goods	22.46	26.11	546	10.2	2.3
Capital goods	8.01	8.37	626	45.8	10.6
Unclassified	-	-	60	14.1	3.3
Total Imports from New Zealand	-	-	1,666	433.7	100.0
WTO HS Agricultural	34.56	52.11	175	116.6	26.9
WTO HS Industrial	10.13	4.17	1447	302.5	69.7
WTO HS Petroleum	-	-	1	0.7	0.2
Others	-	-	43	14.0	3.2
Total Imports from New Zealand	-	-	1,666	433.7	100.0

Source: WITS database and India Exim Bank Research

Non-Tariff Measures in Goods Trade

According to the United Nations Conference on Trade and Development (UNCTAD), non-tariff measures are defined as “policy measures other than ordinary customs tariffs that can potentially have an economic effect on international trade in goods, changing quantities traded or prices or both.”⁴ A large number of domestic regulations meant to protect the environment, consumers or workers are designed in such a way that they can potentially discriminate against foreign suppliers of goods or services. Indeed, there is some evidence that the reduction of tariffs has been accompanied by an increasingly discriminatory role of such regulations. The scope for these non-tariff trade measures (NTMs) is large, their nature is complex and constantly changing, creating challenges in ensuring level playing fields between countries⁵. Based on the WTO classification, the different types of non-tariff measures used in the present analysis are defined below:

- **Sanitary and Phytosanitary Measures**

Sanitary and phytosanitary measures (SPS) are measures applied to protect human or animal life from risks arising from additives, contaminants, toxins or disease-causing organisms in their food, and to protect human life from plant or animal-borne diseases. The measures are also designed to protect animal or plant life from pests or diseases, or disease-causing organisms, to prevent or limit damage to a country from the entry, establishment or spread of pests and to preserve biodiversity. These measures include regulations to protect the health of fish, wild fauna, forests and wild flora.

- **Technical Barriers to Trade**

Technical barriers to trade (TBT) are measures referring to technical regulations and procedures of assessment of conformity with technical regulations, excluding measures covered by the chapter on sanitary and phytosanitary measures. A technical regulation is a document that sets out product characteristics or related processes and production methods, including the applicable administrative provisions, with which compliance is mandatory. Some examples of TBT measures include packaging or labelling requirements, such as health warnings on tobacco products; regulations on product characteristics, such as energy performance requirements for electrical appliances and conformity assessment procedures. Examples of SPS are tolerance limits for residues, restricted use of substances, labelling requirements related to food safety, hygienic requirements and quarantine requirements, meat and poultry processing standards to reduce pathogens, residue limits for pesticides in foods and regulation of agricultural biotechnology.

- **Anti-Dumping Measures**

Anti-dumping measures (ADP) are unilateral remedies which may be applied by a WTO member after an investigation and determination by that member, in accordance with the provisions of the anti-dumping Agreement, that an imported product is “dumped” and that the dumped imports are causing material injury to a domestic industry producing the like product.

- **Countervailing Measures**

Countervailing Measures (CV) are the actions taken by the importing country, usually in the form of increased duties to offset subsidies given to producers or exporters in the exporting country.

⁴ UNCTAD, “International Classification of Non-Tariff Measures”, New York, 2019.

⁵ World Trade Organization, 2012.

- **Safeguard**

Under Safeguard (SG), a WTO member restricts imports of a product temporarily to protect a specific domestic industry from an increase in imports of any product which is causing, or which is threatening to cause, serious injury to the industry.

- **Quantitative Restrictions**

Quantitative restrictions (QR) are prohibitions or restrictions other than duties, taxes or other charges applied by WTO members on imports or exports of goods, which can be made effective through quotas, import or export licences or other measures.

- **Tariff-Rate Quota**

Tariff-rate quota (TRQ) allows for quantities inside a quota to be charged lower import duty rates, than those outside (which can be high).

- **State-Trading Enterprises**

State trading enterprises (STE) are defined as governmental and non-governmental enterprises, including marketing boards, which deal with goods for export and/or import. The STE might be used to provide protection for the domestic market in a given product by setting resale prices of imports at very high levels, thus negating tariff concessions bound.

- **Export Subsidies**

Export subsidies (XS) are defined as “subsidies contingent on export performance, including the export subsidies listed in detail in Article 9 of Agreement on Agriculture”.

Non-Tariff Measures Imposed by India

Based on the data retrieved from the Integrated Trade Intelligence Portal (I-TIP), WTO, as of June 30, 2024, India has imposed around 1,029 NTMs towards the WTO members (including New Zealand), as well as bilaterally imposed by India on New Zealand. Out of the 1,029 NTMs, ADP, SPS and TBT are among the most widely used NTMs, with 376 ADP, 276 SPS and 273 TBT in place. Quantitative restrictions have also been adopted by India, followed by protection through anti-dumping, countervailing duties, State Trading Enterprises, safeguard and tariff-rate quota measures as of June 2024.

According to broad sector classification of I-TIP, WTO, products of the chemical and allied industries have the highest number of NTMs (274) imposed by India as of June 30, 2024 (**Table 4.8**). Majority of the NTMs are in the form of ADP (195), followed by TBT (62), SPS (6), QR (5), STE (3) and CV (3). Resins, plastics and articles, rubber and articles and base metals and articles also have a significant number of NTMs (128 each). Prepared foodstuff; beverages, spirits, vinegar; tobacco and vegetable products are also substantially protected sectors, comprising a total of 233 measures. These sectors are largely protected through SPS (157), TBT (58), ADP (11), QR (2), TRQ (1) and STE (4). There are a total of 181 measures for which the HS classification is not available, amongst these also, SPS (93) and TBT (82) are the majority NTMs.

Table 4.8: Broad-Sector Classification of NTMs Imposed by India as on June 30, 2024

HS Product Description	SPS	TBT	ADP	CV	SG	QR	TRQ	STE
Total	276	273	376	26	4	59	3	12
Measures without HS code	93	82	2	-	4		-	-
Live animals and products	49	21	-	-	-	25	1	2
Vegetable products	81	24	-	-	-	1	1	4
Animal and vegetable fats, oils and waxes	13	26	-	6	-	25	1	1
Prepared foodstuff, beverages, spirits, vinegar and tobacco	76	34	11	-	-	1	-	-
Mineral products	6	13	18	-	-	1	-	7
Products of the chemical and allied industries	6	62	195	3	-	5	-	3
Resins, plastics and articles and rubber and articles	7	38	79	3	-	1	-	-
Hides, skins and articles, saddlery and travel goods	-	-	-	-	-	4	-	-
Wood, cork and articles and basket-ware	7	1	20	7	-	1	-	-
Paper, paperboard and articles	-	6	15	-	-	1	-	-
Textiles and articles	-	9	64	1	-	1	-	-
Footwear, headgear, feathers and fans	-	1	-	-	-	-	-	-
Articles of stone, plaster and ceramic products	-	11	28	3	-	-	-	-
Pearls, precious stone and metals	1	1	-	-	-	1	-	-
Base metals and articles	-	25	89	13	-	1	-	-
Machinery and electrical equipment	-	61	34	1	-	2	-	-
Vehicles, aircraft and vessels	-	10	7	-	-	1	-	-
Instruments, clocks, recorders and reproducers	-	10	9	-	-	1	-	-
Arms and ammunition	-	-	-	-	-	1	-	-
Miscellaneous manufactured articles	-	13	-	-	-	2	-	-
Works of art and antiques	-	-	-	-	-	1	-	-

Note: Anti-dumping [ADP], Countervailing [CV], Quantitative Restrictions [QR], Safeguards [SG], Sanitary and Phytosanitary [SPS], Special Safeguards [SSG], State Trading Enterprises [STE], Technical Barriers to Trade [TBT], Tariff-rate Quotas [TRQ] and Export Subsidies [XS]

Source: I-TIP, WTO and India Exim Bank Research

Non-Tariff Measures Imposed by New Zealand

As of June 30, 2024, New Zealand has 917 NTMs towards the WTO members (including India), as well as bilaterally imposed on India by New Zealand. Out of the 917 NTMs, SPS and TBT are among the most widely used NTMs, with 680 SPS and 140 TBT in place. Quantitative restrictions have also been adopted by New Zealand, followed by protection through quantitative restrictions, anti-dumping, tariff-rate quota, state trading enterprises and export subsidies measures as of June 2024.

According to broad sector classification of the WTO Integrated Trade Intelligence Portal (I-TIP), vegetable products and live animals are the maximum protected sectors by New Zealand through NTMs, consisting of 548 measures. These sectors are largely protected through SPS (272) and TBT (25) (**Table 4.9**). There is a total of 184 NTMs for which the HS classification is not available, and amongst these, 124 are SPS measures and 59 are in the form of TBTs.

Table 4.9: Broad-Sector Classification of NTMs Imposed by New Zealand as on June 30, 2024

HS Product Description	SPS	TBT	ADP	QR	TRQ	STE	XS
Total	680	140	8	84	3	1	1
Measures without HS code	124	59					1
Live animals and products	225	11		31			
Vegetable products	247	14		16	3	1	
Animal and vegetable fats, oils and waxes	17	9		10			
Prepared foodstuff; beverages, spirits, vinegar; tobacco	55	22	5	14			
Mineral products	3	10		10			
Products of the chemical and allied industries	18	16		36			
Resins, plastics and articles; rubber and articles	5	11		10			
Hides, skins and articles; saddlery and travel goods	6	1		10			
Wood, cork and articles; basket ware	7	3		12			
Paper, paperboard and articles		1	1	8			
Textiles and articles	14	2		10			
Footwear, headgear; feathers, artificial flowers, fans				6			
Articles of stone, plaster; ceramic products; glass		4		6			
Pearls, precious stones and metals; coin				12			
Base metals and articles	3	7	3	11			
Machinery and electrical equipment	6	38	1	15			
Vehicles, aircraft and vessels	8	7		8			
Instruments, clocks, recorders and reproducers		4		13			
Arms and ammunition		2		12			
Miscellaneous manufactured articles	2	7		14			
Works of art and antiques		1		8			

Note: Safeguards [SG], Sanitary and Phytosanitary [SPS] and Technical Barriers to Trade [TBT]

Source: I-TIP, WTO and India Exim Bank Research

Anti-dumping and countervailing duties cease to be payable on imported goods 5 years after the final determination, unless they are subject to a review. New Zealand's trade agreements contain anti-dumping and countervailing provisions. Under the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) protocol, Australia and New Zealand have agreed to dispense with anti-dumping action in relation to goods produced in either country. However, countervailing measures may be taken by either country.

Under the New Zealand-Singapore Closer Economic Partnership Agreement, New Zealand and Singapore may take anti-dumping and countervailing action against each other. However, in the case of anti-dumping, this agreement provides for a higher de minimis dumping margin and a higher "negligible imports" volume threshold. In addition, anti-dumping and countervailing duties will cease after three years unless reviewed, rather than five years as provided for under the WTO rules.

Many of New Zealand's trade agreements contain provisions on anti-dumping and countervailing measures including transparency, notification and consultation requirements to be followed to ensure greater due process when conducting investigations. Under the trade agreements with Pacific Islands Forum countries

and with Canada, there are a number of notification and consultation requirements to be followed, prior to anti-dumping and countervailing actions.

Under PACER Plus, developed country parties shall give special regard to developing country Parties when considering and before making a decision on applying anti-dumping measures. Under the New Zealand-Korea Free Trade Agreement, the Parties agreed to the application of the “lesser duty rule” for the imposition of anti-dumping duties. Under the RCEP agreement, Parties agreed to a range of notification and consultation provisions. The CPTPP agreement contains an annex of best-practice provisions relating to the conduct of investigations.

All of New Zealand’s FTAs contain provisions on global safeguard measures, even if that is only to reconfirm or maintain WTO provisions.

Other Requirements

There are no specific requirements to become an importer in New Zealand. However, depending on the nature of goods, prior to importation, consent may be required from various government agencies such as the New Zealand Customs Service (NZCS), the Ministry for Primary Industries (MPI), the New Zealand Transport Agency and the Ministry of Health. Food importers must register with the MPI.

Documentation requirements for the import and export of goods into New Zealand are straightforward. The New Zealand Customs Service website outlines the requirements expected by the importer or Customs House Broker acting for the importer. Import declarations must be made electronically.

Import entry clearance must be lodged no later than 20 days after the date of importation. In practice, most entries are lodged in advance of arrival. Some goods are exempt from import entry requirements, including postal articles when no duty is payable. Goods valued at less than NZD 1,000 can be entered using a simplified entry request procedure or can be cleared for entry based on electronic cargo information, which can include multiple consignments on a manifest. Duty is not collected on imported goods when the value of goods is less than or equal to NZD 1,000. This waiver does not apply to tobacco and alcoholic beverages.

The Ministry of Agriculture and Forestry (MAF) mandated exporters to include a declaration that any export of wooden or plywood packing case, crates, wooden containers, or cargo pallets destined for New Zealand have been inspected prior to shipment. These goods must be free from bark and visible signs of insect and fungal infestation, and the declaration must accompany all bills of lading and other shipping documents.

Fruits, plants, and seeds must be accompanied by certificates from the appropriate authorities in the country of origin to the effect that the items have been examined and found to be free of disease. The certificates should be forwarded to the consignee in New Zealand and accompany the consignment. The Ministry of Agriculture may inspect the shipment on arrival and, if signs of insect infestation are present, order the consignment to be either fumigated or denied entry.

New Zealand maintains controls on the importation of a variety of goods based on criteria such as “community protection,” protecting the earth’s ozone layer, controlling toxic substances, and safeguarding consumers. New Zealand also maintains a strict quarantine regime to protect its agricultural and forestry industries from pests or disease contamination. New Zealand Customs lists on its website items which are prohibited and cannot be imported into New Zealand as well as a list of products which require approval to import.

According to the World Bank, in 2020 the time needed to import goods from New Zealand was 25 hours at a cost of US\$ 367. According to the World Customs Organization (WCO), New Zealand has a modern and well-developed cargo reporting system and customs clearance processes combined with risk management. Cargo is reported electronically and in advance of arrival. The cargo reporting information is electronically risk-assessed and, if accepted, cleared by customs, often before arrival of the vessel carrying that cargo. Payment of any duty and tax is by deferred payment account or cash.

New Zealand's risk management system is based on a standardized methodology, jointly developed with Australia for identifying and assessing risk. According to the authorities, 1% of import transactions are subject to further compliance checks or inspection, and all compliant transactions are processed by the NZCS within 30 minutes of completion of an import declaration. The NZCS does not maintain an Authorized Economic Operator (AEO) system, as the authorities seek to give simplified process to all importers. New Zealand does not maintain any pre-shipment inspection regime.

Standards

Standards New Zealand is the country's national standards body and is the leading developer of standards and the country's representative at the international level. It participates in the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). Standards New Zealand also operates the National Enquiry Point under the WTO Agreement on Technical Barriers to Trade (TBT), and in accordance with the relevant Memorandum of Understanding (MOU) with the Ministry of Foreign Affairs and Trade (MFAT).

Standards New Zealand manages the development of New Zealand standards, and of joint Australian-New Zealand standards. To promote harmonization with international standards, the authorities indicate that Standards New Zealand prompts stakeholders, including regulators, to adopt existing standards (identical or with modifications), where appropriate and possible, unless a valid reason can be substantiated for a new standard.

In 2021, the total number of standards in New Zealand's catalogue, which comprises New Zealand standards and joint Australia-New Zealand standards, was 2,670. The majority of standards in New Zealand's catalogue are developed in partnership with Standards Australia (87% of the total number of standards in 2021) and are not cited in primary or secondary legislation and are therefore voluntary (69%). About half of standards in New Zealand's catalogue are equivalent to international standards.

New Zealand product compliance regulations are based on ensuring safety and affect all industry sectors. Compliance amongst key sectors includes:

- Importers and suppliers of electrical products must make sure their products are allowed to be sold in New Zealand and meet fundamental safety requirements. Testing to make sure these requirements are met can be carried out either in local testing laboratories in countries with whom New Zealand has an Electrical and Electronic Mutual Recognition Agreement.
- New Zealand's Energy Efficiency and Conservation Authority monitors energy use of electrical products and energy using appliances such as motor vehicles.
- New Zealand's Building Code monitored by the Ministry of Business, Innovation and Employment covers building product compliance requirements.

-
- Medsafe New Zealand regulates products used for a therapeutic purpose, which include medicines, related products, and medical devices.
 - Food safety is covered by several standards in the Australia New Zealand Food Standards Code, which aims at lowering the incidence of foodborne illness by strengthening food safety and traceability through the food supply chain.

Labelling and Marking

New Zealand prohibits the importation of all goods bearing false information or including trademarks or signs likely to mislead or deceive consumers. All goods sold are subject to quantity labelling requirements and must use one of the units of New Zealand's metric system when marking their net weight or measure. New Zealand also prohibits the entry of any foreign manufactured goods that bear the name or trademark of a New Zealand manufacturer or trader, the name of a place in New Zealand, or words that would associate the goods with New Zealand, unless the names or words are accompanied by a definite indication of the country of origin.

Imported and locally produced food must meet label requirements under the Food Act 2014 and Section 3.3.4 of the Australia-New Zealand Food Standards Code. Information on food labels must in general include a date marking for sale, a lot identification, a New Zealand or Australian name and business address, a description of the good, an ingredients list and their content (in percentage), a nutrition information panel, use and storage directions, allergens declarations, and warning and advisory statements. A number of food products are subject to specific requirements including genetically modified food, food for infants, fish, alcoholic drinks (including wine), irradiated food, and food containing hemp seeds.

Country of origin labelling must be shown on footwear, clothing items, and dry-cell batteries. Paints containing lead, wool products, electrical appliances and equipment, footwear, drugs, toilet preparations and food products must also be specially labelled. In 2022, new country of origin regulations were introduced for the import of fresh, thawed and frozen foods.

New Zealand has a labelling standard for genetically modified (GM) food. Under the standard, the label listing ingredients for food products, with certain exceptions, must include the words "genetically modified" if genetic material or protein from genetic modification is present. It is the responsibility of food businesses applying the food label, re-labelling food, or selling the food to meet this standard's requirement. This includes manufacturers, packers, importers, and sometimes retailers. Several exceptions exist for the labelling of GM food.

Except for movie film and dangerous goods, there are no regulations governing the marking of outside packing cases.

New Zealand also has six Consumer Information Standards (CIS) Regulations with labelling information requirements for clothing (care, country of origin, and fibre content), used motor vehicles, water efficiency and the origin of food. The CIS Regulations for water efficiency apply to water-using equipment (e.g. washing machines and dishwashers) and requires labels to include information on their water consumption. The CIS Regulations on the origin of food (both fresh and frozen) require that labels include the country of origin for fruit and vegetables, meat and cured pork, and fish and seafood.⁶

⁶ Consumer Information Standards (Origin of Food) Regulations 2021

In March 2018, New Zealand also put in place a standardized packaging regime for tobacco. Under this regime, New Zealand requires that all tobacco products be sold in dark brown/green coloured packaging (same as in Australia, the UK, Ireland, and France), with no company logos and the same font for all brands. New pictures and health warning must cover at least 75% of the front of the package, and the entire back.

Services Trade Restrictiveness Index

The relative restrictiveness of Indian services trade policy can be analysed using the Services Trade Restrictiveness Index (STRI) developed by the OECD. The OECD database includes 22 services sectors for 38 OECD countries and among the non-OECD countries Brazil, China, India, Indonesia, Kazakhstan, Malaysia, Peru, Russian Federation, Singapore, South Africa, Thailand and Vietnam. These countries and sectors represent over 80% of global trade in services. The Services Trade Restrictiveness Index database contains information on trade restrictions and behind the border regulations in the following sectors:

- Computer services
- Construction
- Professional services (legal, accounting, engineering, and architecture)
- Telecommunications
- Distribution
- Audiovisual services (broadcasting, motion pictures, sound recording)
- Transport (air, maritime, road freight and rail freight)
- Courier
- Financial services (commercial banking, insurance)
- Logistics services (cargo-handling, storage and warehouse, freight forwarding, custom brokerage)

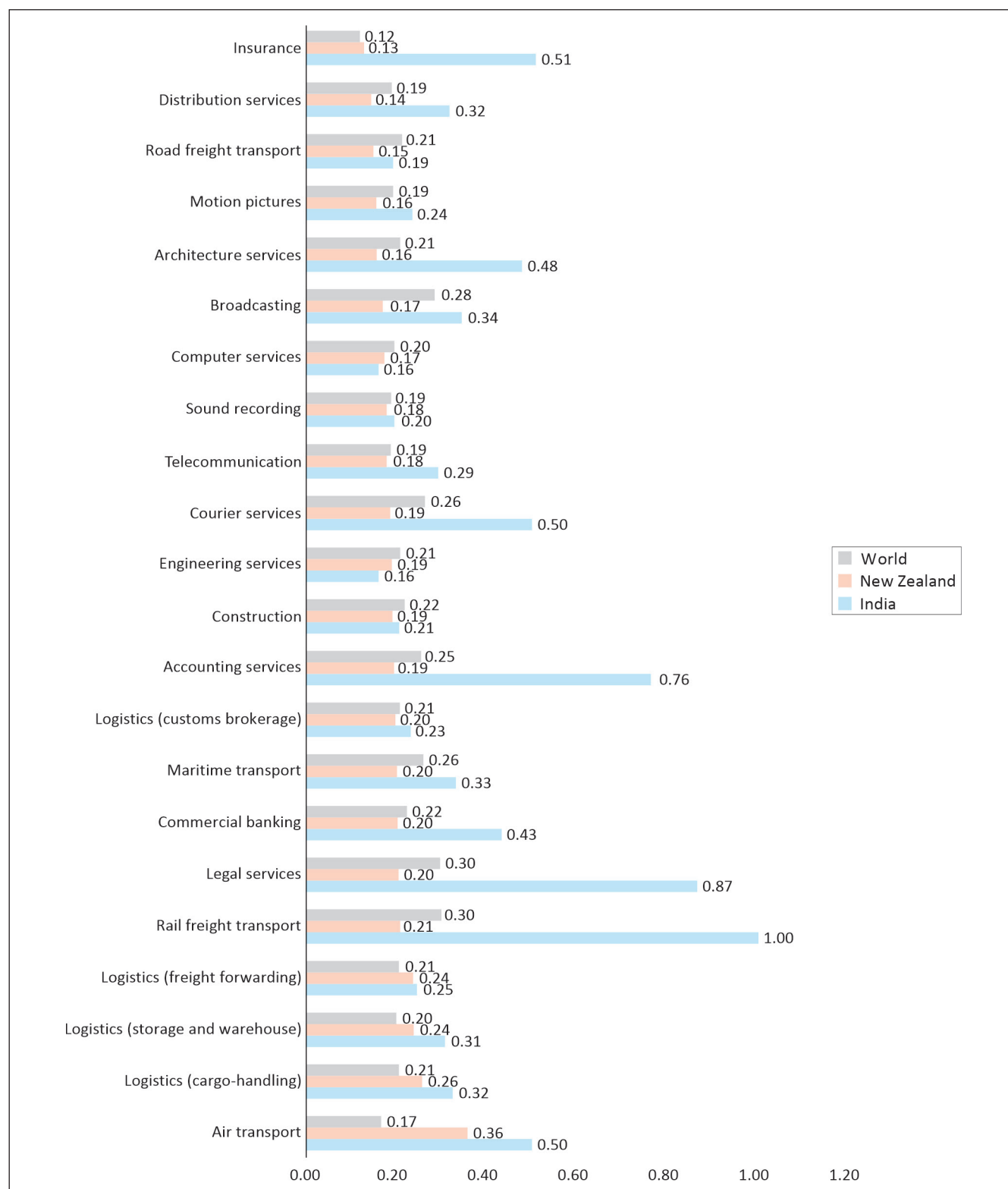
The STRI score takes values between zero and one, with one indicating the most restrictive trade environment. The STRI database records measures on a most favoured nation (MFN) basis towards third countries. The STRI also harmonizes policy measures implemented by the countries across the 22 services sectors. These policy measures are categorized under five policy areas:

- Restrictions on foreign ownership and other market entry conditions
- Restrictions on the movement of people
- Other discriminatory measures and international standards
- Barriers to competition and public ownership
- Regulatory transparency and administrative requirements

In 2023, with an STRI of 0.18, New Zealand ranked 19th out of 50 countries surveyed by the OECD, indicating low average regulatory barriers to services trade. New Zealand's STRI score was below the OECD average. With STRI of 0.29, India was ranked 43rd in 2023, an improvement over the previous year. The STRI score of India was above the OECD average.

As stated by the OECD, the STRI database records regulations actually in force and does not take into account preferential agreements. In **Chart 4.1**, the STRI values in 2023 by sectors and policy area for India, New Zealand and the World are given across 22 sectors.

Chart 4.1: STRI for India, New Zealand and World in 2023



Note: The STRI indices take values between zero and one, one being the most restrictive. The STRI database records measures on a Most Favoured Nations basis. Preferential trade agreements are not taken into account. Air transport and road freight cover only commercial establishment (with accompanying movement of people).

Source: OECD STRI database and India Exim Bank Research

As can be seen in the case of New Zealand, among the sectors, air transport has the highest STRI value of 0.36 against the world average of 0.17. The other sectors with high STRI values are logistics (0.24), rail freight transport (0.21), legal services (0.20), commercial banking (0.20) and maritime transport (0.20), among others. The lowest STRIs are in insurance (0.13) and distribution services (0.14) against the world averages of 0.12 and 0.19, respectively.

Broadcasting services are the sector with the lowest score compared to the average while logistics (freight forwarding) services is the highest, relative to the sectoral average. Despite the overall favourable environment for services trade, restrictions remain related to the movement of people. New Zealand applies a relatively short duration of stay for natural persons seeking to provide services in the country on a temporary basis and the time for processing a business visa is significantly longer than best practice.

India has a STRI score above world average in all the 22 sectors. Among the sectors, rail freight transport has the highest STRI value of 1 (maximum STRI value) which is well above the world average of 0.30. The other two sectors with high STRI values are legal services (0.87) and accounting services (0.76). The other services with STRI value above 0.5 are insurance (0.51), air transport (0.50) and courier services (0.50). The lowest STRIs are in computer services (0.16) and engineering services (0.16), against the world average of 0.20, and 0.21, respectively.

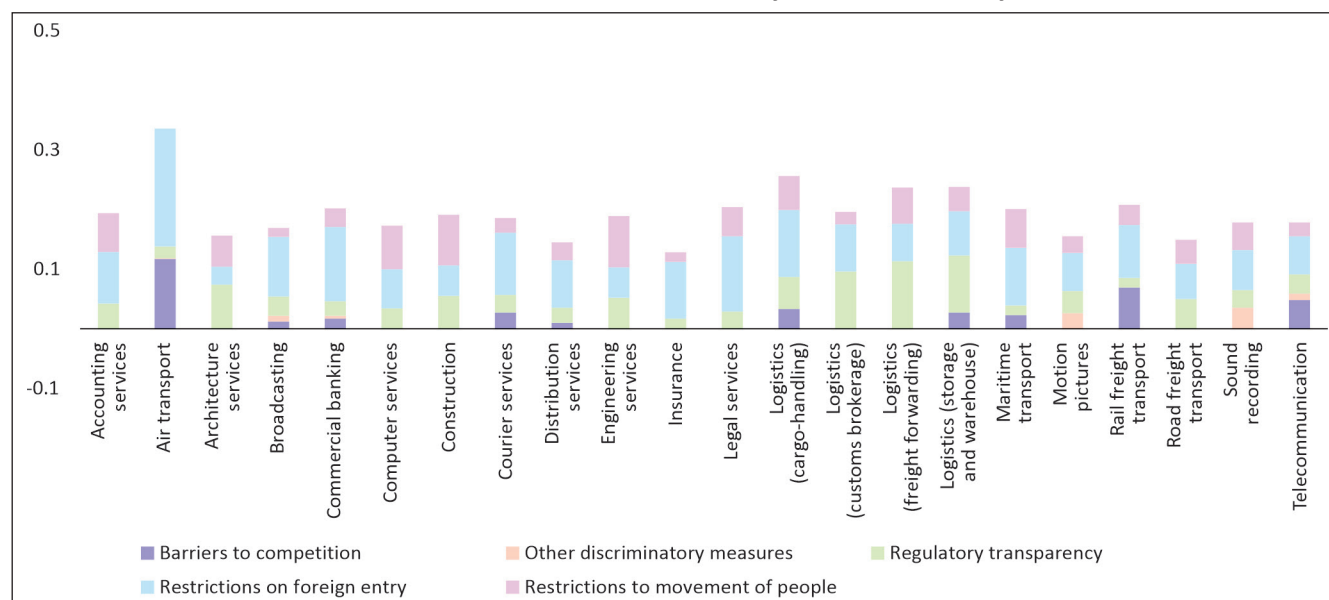
Relevant changes in 2023 include the adoption of a new Digital Personal Data Protection Act, whereby the central government may restrict the transfer of personal data to a country or territory outside India through a notification; and new rules allowing foreign lawyers and foreign law firms to practice law in India in non-litigious matters, subject to a reciprocity condition. Engineering services is the most open sector in India while rail freight transport is the most restricted, relative to the sectoral average. Market access to certain key services sectors remains prohibited for foreigners or subjected to stringent conditions.

Based on the analysis, a comparison of India's STRIs with those of New Zealand reveals that India is a much-restricted economy in services trade compared to New Zealand, mainly due to high STRIs in rail freight transport, legal and accounting services as against New Zealand average of 0.21, 0.20 and 0.19, respectively. However, New Zealand is restrictive in air transport and logistics as the STRIs for these remain above the world average in 2023. Thus, transport, accounting, logistics and legal services are the potential sectors which are likely to provide comparative advantage to both India and New Zealand.

New Zealand STRI: Policy-wise

In terms of policy area-wise, New Zealand majorly restricts services trade through limitations on foreign entry, regulatory transparency and restrictions on movement of people. Sectors with high restrictions on foreign entry include air transport (0.20), legal services (0.13) and commercial banking (0.13). The sectors that impose significant restrictions on regulatory transparency are logistics (0.10), architecture services (0.07), construction services (0.06) and engineering services (0.05), among others. Additionally, sectors such as engineering services, construction services, computer services and accounting services have greater restriction to the movement of people than others (**Chart 4.2**).

Chart 4.2: New Zealand's STRI Values by Sector and Policy Area

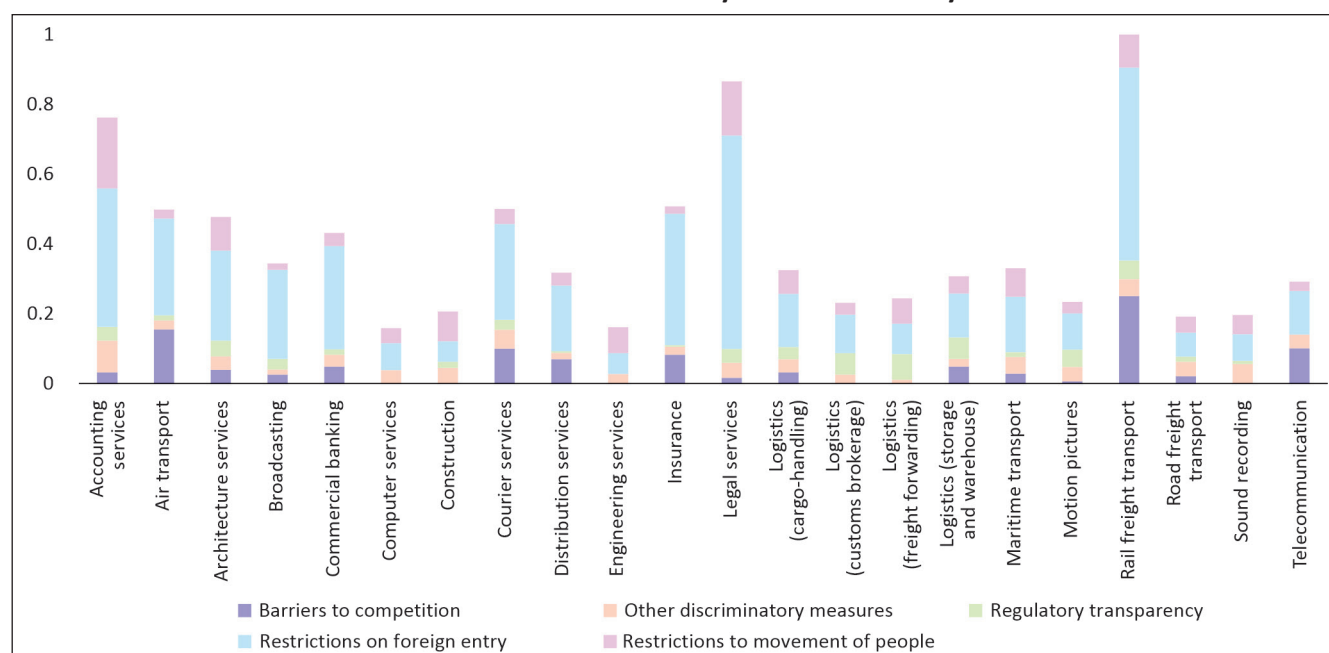


Source: OECD STRI database and India Exim Bank Research

India STRI: Policy-wise

In terms of policy by area, India mainly restricts services trade through restrictions on foreign entry. Sectors that face high restrictions on foreign entry include legal services (0.61), rail freight transport (0.55) and accounting services (0.40). Further, sectors that face high restrictions on the movement of people include accounting services (0.20), legal services (0.16), architecture services (0.1) and rail freight transport (0.1), among others. Sectors such as rail freight transport, air transport, telecommunication, courier services and insurance face greater barriers to competition compared to others (**Chart 4.3**).

Chart 4.3: India's STRI Values by Sector and Policy Area



Source: OECD STRI database and India Exim Bank Research

Barriers faced by Indian Service Suppliers in New Zealand: Horizontal Restrictions

Horizontal measures refer to cross-cutting restrictions across sectors. The restrictiveness of these measures automatically gets reflected in the sectoral STRI. As a result, even though a sector is less restrictive as per sector - specific measures, the horizontal restrictions can still render the whole sector restrictive. I-TIP database of WTO provides mode-wise horizontal measures impacting services sector. Currently, the database covers 31 services sectors across 76 economies.

According to WTO⁷, the 4 modes of services trade are defined as:

Mode 1: Cross-border Trade

A mode of service supply or trade where services are supplied from the territory of one country into the territory of another. For example, a user in country A receives services from abroad through its telecommunications or postal infrastructure. Such supplies may include consultancy or market research reports, tele-medical advice, distance training or architectural drawings.

Mode 2: Consumption Abroad

A mode of service supply or trade where services are supplied in the territory of one country to the consumers of another. This mode of supply requires that the consumer of services move abroad. An example is the traveling abroad to receive medical treatment or to enroll in an education program. Nationals of A have moved abroad as tourists, students or patients to consume the respective services.

Mode 3: Commercial Presence

A mode of service supply or trade where services are supplied through any type of business or professional establishment, i.e., foreign direct investment by one country in the territory of another. An example is the establishment of a branch of a foreign bank or of a franchising outlet in a foreign location. The service is provided within Country A by a locally-established affiliate, subsidiary, or representative office of a foreign-owned and controlled company of Country B (bank, hotel group, construction company, etc.).

Mode 4: Movement of Natural Persons

A mode of service supply or trade where services are supplied by nationals of one country in the territory of another, requiring the physical presence of the service provider in the host country. This mode includes both independent service providers as well as employees of the services providers of another member. Examples include consultants, teachers and actors of one country supplying services through their physical presence in another country or the managers of a multinational enterprise. A foreign national provides a service (say from country A) within country B as an independent supplier (e.g., consultant, health worker) or employee of a service supplier (e.g. consultancy firm, hospital, construction company).

These modes of supply require the movement of either the service itself (Mode 1), the service consumer (Mode 2) or the service supplier (Modes 3 and 4). **Table 4.10** analyses Modes 1, 3 and 4 horizontal restrictions imposed by New Zealand on the services sector.

⁷ wto.org

Table 4.10: Mode-wise Horizontal Restrictions on Services Sector Imposed by New Zealand

Measure	Responses
Mode 1	
Category: Conditions on operations	
Subcategory: Conditions on service supplier	
Measure: International data transfer: Distinction between countries/regions	Yes
Subcategory: Conditions on Government Procurement	
Measure: Threshold above which domestic tender is mandated	Yes
Measure: Threshold above which international tender is mandated	Yes
Mode 3	
Category: Conditions on market entry	
Subcategory: Other conditions on market entry	
Measure: Acquisition and/or rental of land and real estate by foreigners restricted	Yes
Measure: Rental of land and real estate by foreigners prohibited	No
Category: Conditions on operations	
Subcategory: Conditions on service supplier	
Measure: International data transfer: distinction between countries/regions	Yes
Subcategory: Conditions on government procurement	
Measure: Threshold above which domestic tender is mandated	Yes
Measure: Threshold above which international tender is mandated	Yes
Subcategory: Other conditions on operations	
Measure: Limits on subsequent transfer of capital and investment	No
Mode 4	
Category: Conditions on market entry	
Subcategory: Quantitative measures (for firms and natural persons)	
Measure: Limit on share of foreigners employed in the domestic economy	No
Category: Conditions on operations	
Subcategory: Conditions on service supplier	
Measure: International data transfer: distinction between countries/regions	Yes
Subcategory: Conditions on government procurement	
Measure: Threshold above which domestic tender is mandated	Yes
Measure: Threshold above which international tender is mandated	Yes

Source: I-TIP database and India Exim Bank Research

Mode 1: Under horizontal restrictions, New Zealand has imposed conditions on operation through **conditions on service supplier**. Laws distinguish between countries or regions to which data may be transferred to or accessed from abroad. An organisation or business may only disclose personal information to an agency outside of New Zealand if the receiving agency is subject to similar safeguards to those in the Privacy Act. If a jurisdiction does not offer similar protections, the individual concerned must be fully informed that their information may not be adequately protected and they must expressly authorise the disclosure.

In terms of **conditions on government procurement**, there is a threshold above which domestic tender is mandated as well as threshold above which international tender is mandated. Thresholds are subject to

annual reviews where necessary. As of October 1, 2019, the threshold for procurement of goods or services or refurbishment works is NZD 100,000 and the threshold for construction works is NZD 9 million (excluding GST).

Mode 3: Under horizontal restrictions, New Zealand has imposed **condition on market entry through restriction on acquisition and/or rental of land and real estate by foreigners**. Acquisition and use of land and real estate by foreigners is restricted. Consent is required for overseas land purchases.

New Zealand laws distinguish between countries or regions to which data may be transferred to or accessed from abroad. An organisation or business may only disclose personal information to an agency outside of New Zealand if the receiving agency is subject to similar safeguards to those in the Privacy Act. If a jurisdiction does not offer similar protections, the individual concerned must be fully informed that their information may not be adequately protected and they must expressly authorise the disclosure.

In terms of **conditions on government procurement**, there is a threshold above which domestic tender is mandated as well as threshold above which international tender is mandated. Thresholds are subject to annual reviews where necessary. As of October 1, 2019, the threshold for procurement of goods or services or refurbishment works is NZD 100,000 and the threshold for construction works is NZD 9 million (excluding GST).

Mode 4: Under horizontal restrictions, New Zealand laws distinguish between countries or regions to which data may be transferred to or accessed from abroad. An organisation or business may only disclose personal information to an agency outside of New Zealand if the receiving agency is subject to similar safeguards to those in the Privacy Act. If a jurisdiction does not offer similar protections, the individual concerned must be fully informed that their information may not be adequately protected and they must expressly authorise the disclosure.

In terms of **conditions on government procurement**, there is a threshold above which domestic tender is mandated as well as threshold above which international tender is mandated. Thresholds are subject to annual reviews where necessary. As of October 1, 2019, the threshold for procurement of goods or services or refurbishment works is NZD 100,000 and the threshold for construction works is NZD 9 million (excluding GST).

Quantitative Measure for Movement of People

Also in Mode 4, New Zealand imposes quantitative measures (for firm and natural persons) as part of conditions on market entry. Access under Mode 4 is based on economic criteria viz. permit to foreigner can be assigned if the open position cannot be filled by a person from the domestic labour market and the activity is in the economic and labour market interest of the economy. Limit on the total number or share of foreigners employed per company; employment of foreign nationals is normally considered for the job for which local experts/technicians are not available. Summing up, New Zealand imposes the following quantitative measures:

- ENT/LMT - Contractual Service Supplier
- ENT/LMT - Independent Professionals
- ENT/LMT - Intra-Corporate Transferees

These are the tests that condition access in Mode 4, upon the fulfilment of these economic criteria market entry of foreigner is permitted (**Table 4.11**). In terms of sector, New Zealand imposes ENT/LMT requirement contractual service provider, independent professionals and Intra-corporate transferees in all sectors.

Table 4.11: ENT/LMT Requirement on Services Sector Imposed by New Zealand

Sector	ENT/LMT - Contractual Service Supplier	ENT/LMT - Independent Professionals	ENT/LMT - Intra-Corporate Transferees
Accounting services	Yes	Yes	Yes
Auditing services	Yes	Yes	Yes
Architectural services	Yes	Yes	Yes
Engineering services	Yes	Yes	Yes
Computer and Related Services	Yes	Yes	Yes
Legal services: Host country advisory services	Yes	Yes	Yes
Legal services: Host country representation services	Yes	Yes	Yes
Legal services: Home country law and/or third country law (advisory/representation)	Yes	Yes	Yes
Postal and courier services	Yes	Yes	Yes
Motion picture services	Yes	Yes	Yes
Television services	Yes	Yes	Yes
Sound recording	Yes	Yes	Yes
Fixed-line telecommunication services	Yes	Yes	Yes
Mobile telecommunication services	Yes	Yes	Yes
Construction and Engineering Related Services	Yes	Yes	Yes
Wholesale trade services	Yes	Yes	Yes
Retailing services	Yes	Yes	Yes
Life insurance	Yes	Yes	Yes
Non-life insurance	Yes	Yes	Yes
Reinsurance and retrocession	Yes	Yes	Yes
Commercial banking	Yes	Yes	Yes
Hotel and other lodging services	Yes	Yes	Yes
Travel agencies and tour operators services	Yes	Yes	Yes
Tourist guides services	Yes	Yes	Yes
Maritime: Freight transportation	Yes	Yes	Yes
Air passenger domestic	Yes	Yes	Yes
Air passenger international	Yes	Yes	Yes
Air freight domestic	Yes	Yes	Yes
Air freight international	Yes	Yes	Yes
Rail: Freight transportation	Yes	Yes	Yes
Road: Freight transportation	Yes	Yes	Yes
Maritime cargo-handling, storage, warehousing and container station depot services	Yes	Yes	Yes
Maritime intermediation auxiliary services	Yes	Yes	Yes
Health Services	Yes	Yes	Yes

Source: I-TIP database and India Exim Bank Research

Potential Areas for Enhancing India's Trade in Services with New Zealand

Among the services imports by New Zealand from the rest of the world, transport services accounted for 24% of the total services imported, followed by travel with 23.4% share in services imports in 2023. Further, within other commercial services, major imported services include telecommunications, computer and information services (12.6% of total services imports), insurance and pension services (11.3%), technical, trade-related and other business services (9.9%) and personal, cultural and recreational services (4.6%).

India's services sector stands out as a beacon of opportunity amidst global economic turbulence. According to UNCTAD data, services exports witnessed a remarkable 11.4% surge, reaching US\$ 345 billion in 2023. This growth is largely attributed to robust performance in travel, transport, medical, and hospitality industries. While traditional markets of North Americas and Europe remain important, India is poised to take advantage of the significant growth potential in emerging markets across Latin America, the Middle East and Asia.

Although, India's exports of software services and ITES have shown remarkable resilience and potential for growth. The increasing global demand is also creating new opportunities for many other industries within the services sector, particularly in medical services, hospitality, transportation, travel and business services such as engineering and management consulting. These sectors have immense potential in traditional and new markets, including New Zealand.

Transport and Travel

Traditionally, 99% of import cargo arrives in New Zealand by sea. However, due to the pandemic, issues with supply chains have created an increase in air freight. Several products are reshipped through Australia. Approximately 92% of all freight (by weight) is transported within New Zealand by road. Ongoing rail infrastructure projects, including upgrades of lines and locomotives, are expected to improve transport of goods from regional New Zealand to the country's main port cities: Auckland, Tauranga, Wellington and Lyttleton.

Logistics and warehousing: India's logistics and warehousing sector is booming, fuelled by e-commerce and tech-driven innovation, transforming from basic transport and storage to a sophisticated service managing the entire supply chain, including last-mile delivery, data analytics and even anticipating needs. Significant improvements are also visible in the logistics costs as a percentage of GDP, which has fallen from 13% in 2016 to the range of 7.8% - 8.9% of GDP during 2021-2022. According to the World Bank's Logistics Performance Index Ranking, India's ranking amongst 139 countries has improved from 54th position in 2014 to 38th in 2023, driven by several factors, including investments in infrastructure, digitisation, and skill development. The investment landscape has significantly improved partially due to government initiatives like National Manufacturing Policy and National Logistics Policy. Warehousing attracted 12% of the total capital investment made in the country in the first half of 2023, amounting to US\$ 366 million – an increase of 80% over that of the previous year.

New Zealand can benefit greatly from Indian services exports in transport and warehousing. Indian expertise in these sectors can enhance New Zealand's logistics infrastructure, leading to smoother goods movement and reduced costs. By leveraging Indian technology and skilled workforce, New Zealand can achieve operational efficiencies and foster innovation in its logistics industry. Additionally, Indian services exports can provide New Zealand with a diverse range of warehousing solutions tailored to its specific needs, contributing to improved inventory management and supply chain optimization. This collaboration can strengthen New

Zealand's competitiveness in global trade, attract investment and foster economic growth while deepening bilateral ties between the two nations.

Tourism: India is one of Asia's key outbound tourist markets, demonstrating rapid growth and strong recovery after the pandemic. India's outbound travel has the potential to grow from 2.3 billion trips in 2019 to over 5 billion trips in 2030, with travel expenditure expected to reach US\$ 410 billion by the same year. Similarly, India's vibrant tourism and hospitality industry is expected to generate revenue of over US\$ 59 billion, with Foreign Tourist Arrivals (FTAs) anticipated to reach 30.5 million by 2028.

New Zealand stands to gain significantly from Indian services exports in tourism in several ways. Firstly, Indian tourism services can help New Zealand attract a larger number of visitors from India, tapping into one of the world's fastest-growing outbound tourism markets. This influx of tourists can boost revenue for New Zealand's hospitality industry, including hotels, restaurants and entertainment venues. Moreover, Indian expertise in hospitality management and tour operations can enhance the quality of tourism services in New Zealand, providing visitors with memorable experiences and encouraging repeat visits. Further, collaboration with Indian tourism companies can facilitate cultural exchange and foster deeper connections between the peoples of India and New Zealand, promoting mutual understanding and cooperation.

Telecommunications, Information Technology and Business Process Management (IT-BPM)

India is harnessing its economic strength, technological progress, young workforce and growing domestic market to emerge as a dominant player in the global digital space. This ambitious goal focuses on the development and widespread adoption of cutting-edge technologies like 5G/6G, satellite communication (SatCom) and semiconductors. A KPMG report estimates that these three sectors will collectively inject an estimated US\$ 240 billion into the Indian economy over the next five years, contributing around 1.6% to the GDP by FY 2028.

India's IT and ITES sector is a powerhouse, driven by a vast pool of skilled professionals. The industry directly employs 5.4 million knowledge workers and indirectly supports an additional 15 million jobs across the country. Software development and related services are major contributors to the economy, generating US\$ 251 billion in 2022-23, which translates to a significant 7.4% of the nation's GDP. Impressively, exports account for a major share (77%) of this production, with a strong annual growth rate of 12.2%, reaching US\$ 193 billion in 2022-23. India's dominance extends globally, capturing a commanding 35% share of the US\$ 1.11 trillion IT-BPM market, solidifying its position as a leading sourcing destination globally.

New Zealand can benefit from Indian service exports in IT-BPM by gaining access to cost-effective technology solutions, enhancing operational efficiency, fostering skill development and boosting global competitiveness, while promoting economic diversification and innovation.

Other Commercial Services

India's services exports witnessed significant growth, with sectors such as insurance and financial services offering significant opportunities for expansion. Currently, these areas currently contribute 4% of India's total services exports, while the global average stood at 11.4% as of 2022. This suggests significant untapped potential for Indian insurance and financial services, offering huge opportunities to make a bigger mark on

the world stage. In the coming years, India's high value services, such as consultancy and healthcare, are likely to gain traction due to government-based initiatives like Skill India, Digital India and Start-up India.

India's services sector is poised for exponential growth, potentially reaching US\$ 800 billion by 2030. By forging a strategic partnership with India, and harnessing India's efficient technology and competitive workforce, New Zealand can leverage this opportunity to fuel its own growth, boost trade in services and establish itself as a major force in the global services arena.

Global Capability Centers – Moving up the Services Value Chain

The rising acceptance of the concept of global shared services, across geographies, has today led to mushrooming of global capability centers (GCCs). These are offshore units of multinational corporations strategically set up to perform a range of key functions, leveraging upon specialized talent, knowledge and skill sets, operational efficiencies and cost arbitrage in various locations across the globe, which contribute to the growth of the parent companies. The functioning of these GCCs provides immense opportunities for other services such as R&D, consulting, education, research and analytics, IT, human resources, finance, advertising, design, marketing, customer support, business process outsourcing and a host of other ancillary services, including emerging technologies.

According to a recent report by Goldman Sachs, over the past 13 years, the number of GCCs in India has more than doubled from around 700 to 1,580 in FY 2023, and is expected to reach close to 2,000 by FY 2025. This is envisaged to open a plethora of opportunities beyond traditional trends. GCCs have emerged as a strong alternative to outsourcing, and they often work in tandem with IT companies on transformation projects. According to a report by HSBC Global Research, the overall share of GCCs in Indian IT exports has risen to 23% in 2023 from 18% in 2015.

Further, a NASSCOM-KPMG report suggests that around 30% of the global digital banking products are developed in GCCs in India. With the global disaggregation of service value chains, and the robust digital infrastructure in India, backed by advanced skill sets, it is estimated that around half of the GCC workforce in India is engaged in technology-enabled processes.

The surge in GCCs across new emerging domains like insurance, digital and mobile banking, financial services, accounting, logistics and business services, also reflects the significant growth in digital delivery of services across these domains. Additionally, the "Startup India" scheme, launched by the Government of India in 2016 to foster a strong ecosystem for nurturing innovation and startups in the country, has made India a home to the third largest startup ecosystem in the world, where services play a crucial role.

With high value services envisaged to emanate from the rapidly increasing number of GCCs being set up, break through innovations stemming from startups, advance digital solutions being rolled out across domains, and given the ever-increasing global demand, it is quite possible that services exports from India are bound to rapidly multiply manifolds in the near future. Businesses in New Zealand can take advantage of the growing GCCs in India to offshore tasks from data analysis to R&D. Considering India's expertise in the field of services, a well negotiated agreement with New Zealand could facilitate market access for Indian service providers, enhance competitiveness and thereby provide a number of opportunities for exponentially increasing services exports from India across traditional and new domains, including a variety of financial and business services.



India's Trade Potential with New Zealand

The previous chapters have highlighted the significance of trade between New Zealand and India. Any liberalisation is beneficial only if there exists complementarity between the export supply of one country and the import demand of the other country. In other words, whatever India is exporting, New Zealand should have a corresponding demand for it, and vice versa.

Trade Complementarity Index

It is generally understood that complementarity in the trade structure of the countries facilitates more trade between them and there is scope for mutual benefit from this increased trade. For instance, in the case of two countries, say, Country A and Country B, a tariff liberalisation agreement between Country A and Country B will only be mutually beneficial, if their exports are complimentary in nature.

It is, therefore, important to assess the level of complementarity between India and New Zealand. The trade complementarity index (TCI) is a useful tool, which can provide information on feasibility and prospects for intraregional trade. A TCI between both countries shows how well the structures of foreign trade of India and New Zealand fit to understand the utility of a trade agreement. TCI, thus, measures the extent to which a country's export profile matches the import profile of the partner country, in the sense that what a country exports overlaps with what the other country imports and provides an indication of the prospects for greater trade flows. It is a normalized index taking values between 0 and 100, with higher values denoting greater complementarity. TCI was first proposed by Kojima Kiyoshi and perfected by Peter Drysdale in 1967, and the major proponents of the TCI (Michaely, 1996; Yeats, 1998) argue that the higher the value of the trade complementarity index, the more favourable the outcome of a proposed FTA would be on its potential members.

The TCI between countries 'k' and 'j' is defined as:

$$TCI_{ij} = 100 (1 - \sum (|m_{ik} - x_{ij}| / 2))$$

Where,

x_{ij} : Share of Good 'i' in Global Exports of Country 'j'

m_{ik} : Share of Good 'i' in Global Imports of Country 'k'

The index is zero when no goods are exported by one country or imported by the other and 100 when the export and import shares exactly match.

During the period 2013-2023, the complementarity index for profile of Indian exports to New Zealand's imports ranges from 54.6 to 64.1. This indicates a substantial complementarity in India's exports and New Zealand's imports. India's export profile aligns with the import profile of New Zealand which indicates that India's exports meet corresponding demands in New Zealand. The index shows the highest value in 2023. Post 2017, the value of the index is rising which shows that India's export profile is converging towards New Zealand's import profile, except for a dip in 2021 (**Chart 5.1**).

Chart 5.1: India's Trade Complementarity with New Zealand



Source: WITS Database, World Bank and India Exim Bank Research

During the period 2013-2023, the complementarity index for New Zealand's exports profile to India's imports ranges from 20.8 to 27.5, indicating only a modest level of complementarity. This means that New Zealand's export profile does not significantly match India's import profile. While the index peaked in 2015, it showed a declining trend during 2016-2021, indicating that India's import profile has diverged from New Zealand's export profile (**Chart 5.2**).

Chart 5.2: New Zealand's Trade Complementarity with India



Source: WITS Database, World Bank and India Exim Bank Research

India's Revealed Comparative Advantage Analysis and Trade Potential

To explore trade potential between India and New Zealand, it is essential to analyse key products where India has comparative advantage and align these with New Zealand's import demand. Assessing comparative advantage enables identification of products where exports from India have been performing well, as also those with significant opportunities but met with limited success thus far.

Revealed Comparative Advantage (RCA) is a measure which has been used extensively to help assess a country's export potential and competitiveness. It helps identify categories in which a country has a comparative advantage by comparing its trade scenario with that of the global trade. It can also provide useful information about potential trade prospects with new partners. The basic assumption underlying the concept of revealed comparative advantage is that the trade profile reflects the inter-country differences in terms of relative costs as well as non-price aspects.

As per Balassa's (1965) measure, RCA index for country *i* for commodity *j* is:

$$RCA_{ij} = (x_{ji}/X_i) / (x_{jw}/X_w)$$

where,

x_{ji} : Exports of Commodity 'j' from Country 'i'

X_i : Total Exports from Country 'i'

x_{jw} : Total Exports of Commodity 'j' from World

X_w : Total Exports from World

The RCA index ranges from 0 to infinity, with 1 as the break-even point. That is, an RCA value of less than 1 means that the product lacks a comparative advantage, while a value above 1 indicates that the product has a comparative advantage.

The RCA analysis is generally used to assess a country's exports profile in relations to the global trade. Therefore, for assessing India's comparative advantage in bilateral trade relations with New Zealand, the formula of revealed comparative advantage has been modified as follows:

$$RCA_{iju} = (x_{iju}/X_{iu}) / (x_{wju}/X_{wu})$$

where,

x_{iju} : India's Exports of commodity 'j' to New Zealand

X_{iu} : India's Total Exports to New Zealand

x_{wju} : World's Exports of commodity 'j' to New Zealand

X_{wu} : Total World Exports to New Zealand

The Normalized Revealed Comparative Advantage (NRCA) index demonstrates the capability of revealing the extent of comparative advantage that a country has in a commodity with more precision and consistency. NRCA can be defined in the following manner.

$$NRCA_{iju} = (RCA_{iju} - 1) / (RCA_{iju} + 1)$$

NRCA ranges from -1 to 1, with 0 as the breakeven point. That is, an NRCA value of less than 0 and greater than -1, means that the product has no export comparative advantage, while a value above 0 and less than 1, indicates that the product has a comparative advantage. The extent of comparative advantage/disadvantage can be gauged from the proximity of the NRCA values to the extreme data points, viz. +1 and -1.

The export competitiveness of India has been mapped with respect to New Zealand's, with a view to outline a market specific approach for exporters. An overarching analysis has been attempted to identify products from the industries for which India has existing capabilities in exporting to New Zealand. These products are the potential export growth drivers from India to New Zealand and could be suitably targeted. The section also attempts to identify the products where India could focus on, to realize potentially higher values of exports to New Zealand, especially when considering that India already possesses manufacturing capabilities for these products. The objective of the exercise is to construct a product market matrix for products in demand in New Zealand, so that necessary actions and policies can be formulated in the direction to enhance exports of these potential products from India to New Zealand.

Following are the considerations in the analysis:

- **Time Period:** The time period considered for the analysis is 2013-2023.
- **Product Limit:** Only those products at 6-digit HS code level with a minimum export value of US\$ 500 thousand from India to New Zealand are considered in the analysis.
- **Parameters in Consideration:** The analysis in this section considers two major determinants of India's performance in New Zealand, namely, the **NRCA for products**, and **Average Annual Growth Rate (AAGR)** of New Zealand's global imports.

Based on these three considerations, a four-quadrant matrix is prepared for product identification. The four quadrants imply the following:

Product Champions (Product Import AAGR of New Zealand > World Import AAGR of New Zealand; Positive NRCA): These products have the maximum potential, as New Zealand's import demand for these products has shown robust AAGR over the period 2013-2023, while India's exports of these products to New Zealand are also competitive, reflected in positive NRCA values for such products. These are the products with maximum export potential to New Zealand and India needs to further expand its exports of these products in order to take advantage of its competitive position and achieve a greater market share in New Zealand.

Underachievers (Product Import AAGR of New Zealand > World Import AAGR of New Zealand; Negative NRCA): India does not have competitiveness in these products although their import demand has grown in New Zealand significantly over the period under consideration. India can strive towards building capacities and capabilities in these identified products. These are the products in which India can diversify in the medium to long term to continue being a strategic trade partner to New Zealand and further expand its bilateral ties with New Zealand.

Winners in Declining Sectors (Product Import AAGR of New Zealand < World Import AAGR of New Zealand; Positive NRCA): India has competitiveness in these products, even though New Zealand's import AAGR for these products has been declining. These products may not have much demand in the future, and hence, scarce resources from these sectors could be diverted to other sectors where demand expectations are positive.

Lagging in Declining Sectors (Product Import AAGR of New Zealand < World Import AAGR of New Zealand; Negative NRCA): India does not have competitiveness in these products, and these sectors have also registered weak import demand in New Zealand during the period under consideration.

Product Identification Based on Competitiveness

To identify the products based on their export competitiveness in New Zealand, a four-quadrant analysis has been undertaken based on the HS Code classifications at 6-digit level. This analysis involved calculating NRCA of India's exports to New Zealand, and mapping them against the global import demand of New Zealand. The quadrants are created by comparing the overall AAGR of global imports of New Zealand for all products during 2013-2023, which was 3.2%, with the NRCA of India's exports to New Zealand of the same products during the same period (**Chart 5.3**).

This exercise aims to identify products whose imports into New Zealand have outperformed the overall average for all products during this period, implying that the share of such products in New Zealand's import basket has witnessed an increase, a reflection of their rising demand and market dynamism. At 6-digit HS Code, with minimum exports of US\$ 500,000 from India to New Zealand, 182 products have been identified, with the total exports from India to New Zealand amounting to US\$ 390.4 million, while New Zealand's global imports covering the same products stood at US\$ 14.6 billion in 2023.

Chart 5.3: Identification for Products with Export Potential from India to New Zealand (2023)



Source: ITC Trade Map and India Exim Bank Research

Out of the 182 items at the HS 6-digit level, 122 items fell into the category of the product champions. The combined exports of these items from India to New Zealand were US\$ 274.8 million in 2023, representing approximately 70.3% of India's exports to New Zealand in 2023. Major product champions are provided in (**Table 5.1**).

Table 5.1: List of Top 20 Product Champions from India to New Zealand (HS 6-digit level)

HS Code	Product Label	India's Exports to New Zealand (US\$ million)	Share in India's Total Exports to New Zealand (%)	Global Imports of New Zealand (US\$ million)	Share in Global Imports of New Zealand (%)
271012	Light oils and preparations, of petroleum or bituminous minerals which $\geq 90\%$ by volume	52.7	10.3	2219.5	4.4
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	49.9	9.8	831.5	1.7
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton	11.3	2.2	23.6	-
711319	Articles of jewellery and parts, of precious metal other than silver	7.5	1.5	116.2	0.2
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	5.8	1.1	95.2	0.2
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated	4.2	0.8	55.2	0.1
843141	Buckets, shovels, grabs and grips for machinery of heading 8426, 8429 and 8430	4.1	0.8	15.0	-
700510	Float glass and surface ground or polished glass, in sheets, having an absorbent, reflecting	4.1	0.8	9.3	-
790111	Unwrought zinc, not alloyed, containing by weight $\geq 99.99\%$ of zinc	3.7	0.7	18.1	-
854449	Electric conductors, for a voltage ≤ 1.000 V, insulated, not fitted with connectors	3.3	0.7	107.7	0.2
200110	Cucumbers and gherkins, prepared or preserved by vinegar or acetic acid	3.3	0.6	5.7	-
630532	Flexible intermediate bulk containers, for the packing of goods, of synthetic or man-made textile	3.3	0.6	7.9	-
630492	Articles for interior furnishing, of cotton (excl. knitted or crocheted, blankets and travelling)	3.2	0.6	3.0	-
630231	Bedlinen of cotton (excl. printed, knitted or crocheted)	3.0	0.6	30.1	0.1
051000	Ambergris, castoreum, civet and musk; cantharides; bile, whether or not dried; glands and other	2.8	0.6	17.5	-
620442	Women's or girls' dresses of cotton (excl. knitted or crocheted and petticoats)	2.8	0.6	17.7	-
847410	Sorting, screening, separating or washing machines for solid mineral substances	2.7	0.5	22.4	-
721590	Bars or rods, of iron or non-alloy steel, cold-formed or cold-finished and further worked	2.5	0.5	2.9	-
847290	Office machines	2.5	0.5	18.8	-
732599	Cast articles of iron or steel (excl. articles of non-malleable cast iron and grinding)	2.5	0.5	5.7	-

Note: - signifies marginal

Source: ITC Trade Map and India Exim Bank Research

The total number of products in winners in declining sectors category is 48, with India's exports to New Zealand amounting to US\$ 96.3 million, constituting a share of 24.7% of India's exports to New Zealand in 2023. These are the product items in which India has attained a significant share in New Zealand's import basket, but New Zealand's import demand for these products has been falling in the last decade (**Table 5.2**).

Table 5.2: List of Top 20 Products in Winners in Declining Sectors Category from India to New Zealand (HS 6-digit level)

HS Code	Product Label	India's Exports to New Zealand (US\$ million)	Share in India's Total Exports to New Zealand (%)	Global Imports of New Zealand (US\$ million)	Share in Global Imports of New Zealand (%)
030617	Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns in	13.5	2.6	30.9	0.1
100630	Semi-milled or wholly milled rice, whether or not polished or glazed	12.1	2.4	58.5	0.1
710239	Diamonds, worked, but not mounted or set (excl. industrial diamonds)	9.6	1.9	23.4	-
630419	Bedspreads of all types of textile materials (excl. knitted or crocheted, bedlinen, quilts)	8.9	1.8	0.6	-
210690	Food preparations	6.3	1.2	414.4	0.8
611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excl. hats)	2.9	0.6	24.3	-
200811	Groundnuts, prepared or preserved (excl. preserved with sugar)	2.3	0.5	22.0	-
380892	Fungicides, put up in forms or packings for retail sale or as preparations or articles	2.2	0.4	50.6	0.1
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled	2.1	0.4	38.1	0.1
610510	Men's or boys' shirts of cotton, knitted or crocheted (excl. nightshirts, T-shirts, singlets)	1.8	0.3	11.0	-
300420	Medicaments containing antibiotics, put up in measured doses "incl. those for transdermal administration"	1.7	0.3	29.0	0.1
090230	Black fermented tea and partly fermented tea, whether or not flavoured, in immediate packings	1.6	0.3	14.8	-
321519	Printing ink, whether or not concentrated or solid (excl. black ink)	1.5	0.3	24.4	-
621143	Women's or girls' tracksuits and other garments of man-made fibres	1.5	0.3	14.5	-
482390	Paper, paperboard, cellulose wadding and webs of cellulose fibres, in strips or rolls	1.4	0.3	21.7	-
732690	Articles of iron or steel (excl. cast articles or articles of iron or steel wire)	1.3	0.3	116.9	0.2

HS Code	Product Label	India's Exports to New Zealand (US\$ million)	Share in India's Total Exports to New Zealand (%)	Global Imports of New Zealand (US\$ million)	Share in Global Imports of New Zealand (%)
190531	Sweet biscuits	1.3	0.3	59.4	0.1
300410	Medicaments containing penicillins or derivatives thereof with a penicillanic acid structure	1.2	0.2	14.6	-
846599	Machine tools for working wood, cork, bone, hard rubber, hard plastics or similar hard materials	1.2	0.2	9.9	-
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excl. knitted)	1.2	0.2	52.5	0.1

Note: - signifies marginal

Source: ITC Trade Map and India Exim Bank Research

This was followed by underachievers with 9 items and India's exports worth US\$ 10 million to New Zealand. These products constitute a marginal share of 2.6% in India's total exports to New Zealand in 2023. These are the products in which import demand in New Zealand market is rising, but India currently does not have the required competitiveness in the export of these items (Table 5.3).

Table 5.3: List of Top Products in Underachievers Category from India to New Zealand (HS 6-digit level)

HS Code	Product Label	India's Exports to New Zealand (US\$ million)	Share in India's Total Exports to New Zealand (%)	Global Imports of New Zealand (US\$ million)	Share in Global Imports of New Zealand (%)
271019	Medium oils and preparations, of petroleum or bituminous minerals, not containing biodiesel	2.0	0.4	4803.6	9.6
870322	Motor cars and other motor vehicles principally designed for the transport	1.9	0.4	403.1	0.8
392690	Articles of plastics and articles of other materials of heading 3901 to 3914	1.8	0.4	213.6	0.4
870899	Parts and accessories, for tractors, motor vehicles for the transport of ten or more persons	1.0	0.2	108.4	0.2
842952	Self-propelled mechanical shovels, excavators and shovel loaders, with 360° revolving	0.9	0.2	194.0	0.4
848180	Appliances for pipes, boiler shells, tanks, vats or the like (excl. pressure-reducing valves)	0.7	0.1	152.4	0.3
850300	Parts suitable for use solely or principally with electric motors and generators, electric	0.6	0.1	121.0	0.2
850440	Static converters	0.6	0.1	168.9	0.3
940320	Metal furniture (excl. for offices, seats and medical, surgical, dental or veterinary furniture)	0.5	0.1	85.9	0.2

Note: - signifies marginal

Source: ITC Trade Map and India Exim Bank Research

The high volume of exports under the category of declining sectors underlines the urgent need for diversification to other sectors as well as industries which have greater scope for exports in the future. If the scarce resources are not reallocated, the continued oversupply to these sectors – characterised by limited demand in New Zealand market - would result in further fall in the prices. Thus, a shift needs to be made, from the declining sectors to the product champions in the short term and to the underachievers in the medium to the long term, in order to make efficient utilization of resources and further enhance exports from India to New Zealand. Further, the analysis suggests strengthening the existing products in the category of product champions in order to exploit the full potential of these products which are already showing a robust growth in New Zealand market, whilst India's exports also hold a comparative advantage in these products.



Foreign Direct Investment in New Zealand

Foreign Direct Investment (FDI) plays a significant role in fostering New Zealand's economic growth, innovation and global integration. The influx of foreign capital is vital for expanding industries, improving infrastructure and fostering economic development. FDI enhances productivity, creates jobs and increases the competitiveness of domestic industries. For instance, foreign investments in the dairy industry have led to technological advancements and expanded international market access, reinforcing New Zealand's position as a leading dairy exporter.

The sectoral distribution of FDI in New Zealand is diverse. Agriculture and dairy sectors benefit from modernized practices and increased export capacities due to foreign investments. The technology sector, particularly in software development, fintech and biotech, attracts substantial FDI, contributing to a robust innovation ecosystem. The tourism and hospitality sectors also benefit, with investments enhancing infrastructure and boosting New Zealand's appeal as a global destination. Additionally, foreign investments in real estate sector drive developments in commercial and residential properties.

New Zealand's favorable investment climate is supported by strategic policies and international agreements. The Overseas Investment Act ensures that foreign investments provide substantial benefits, such as job creation and economic growth. New Zealand's extensive network of Free Trade Agreements (FTAs) with major global markets like China and the CPTPP countries makes it an attractive investment destination. These agreements facilitate preferential market access, further enticing foreign investors.

As mentioned earlier, FDI plays a pivotal role in driving innovation and technology transfer, bringing advanced technologies and expertise that local firms can adopt to enhance productivity and competitiveness. Investments in sectors like renewable energy have introduced cutting-edge technologies, advancing New Zealand's sustainability goals. While FDI presents numerous benefits, challenges such as market concentration and regulatory balance must be managed. Ensuring that FDI aligns with national interests and maintains sovereignty is crucial for sustainable economic growth. Overall, FDI remains a cornerstone of New Zealand's economic strategy, driving long-term prosperity and international competitiveness.

According to UNCTAD's World Investment Report 2024, New Zealand's inward FDI stock in 2023 reached US\$ 99.1 billion, increasing from US\$ 94.3 billion in the previous year and from US\$ 75.3 billion a decade ago, indicating strong foreign interest and confidence in New Zealand as an investment destination. The outward FDI stock of New Zealand in 2023, however, stood lower in 2023, at US\$ 17.5 billion, from the previous year's value of US\$ 18.6 billion (**Table 6.1**).

Table 6.1: Foreign Direct Investment Flows and Stock, New Zealand (US\$ million)

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
FDI Inflows	1862	2437	-309	2979	2723	2236	4296	3997	4117	7903	3568
FDI Outflows	530	471	-59	196	227	377	-169	658	-1451	746	-808
Inward FDI Stock	75343	76622	66480	70095	75722	76390	81538	92629	93002	94319	99128
Outward FDI Stock	18385	17996	17026	16888	17800	17181	17008	20924	19138	18608	17536

Source: UNCTADstat and India Exim Bank Research

To get a more meaningful understanding of the trends in New Zealand's overseas investments, this study has drawn upon the data collated by the Financial Times through its online database tracking cross-border greenfield investment, viz. fDi Markets⁸. According to Financial Times' fDi Markets, during January 2013 to December 2023, New Zealand received a total envisaged FDI capital expenditure of US\$ 26.1 billion for 728 projects, generating 46,709 jobs in the country (**Table 6.2**).

Table 6.2: Envisaged FDI Inflows in New Zealand, 2013-2023

Year	Capex (US\$ million)	No. of Projects	No. of Jobs Created	No. of Companies Invested
2013	1,432.5	57	3,442	49
2014	1,304.9	45	2,978	42
2015	1,638.4	71	3,516	67
2016	830.9	61	2,113	55
2017	1,438.8	50	3,106	42
2018	2,353.7	63	4,894	58
2019	4,009.5	90	7,292	84
2020	1,978.3	67	3,196	59
2021	7,405.1	70	6,281	62
2022	2,253.1	78	5,748	72
2023	1,554.4	76	4,143	67
Total	26,199.7	728	46,709	591

Source: fDi Markets online database and India Exim Bank Research

As shown in **Table 6.3**, the maximum envisaged FDI capital expenditure in New Zealand from January 2013 to December 2023 was sourced from the US, accounting for 41.4% of total capex invested in the region. Australia was the second largest investor, contributing 17.3%, followed by the UK at 6.3%, China at 6.1% and Germany at 5.1%. India accounted for FDI capital expenditure amounting to US\$ 192.6 million, representing 0.7% of the total investment in New Zealand during the period.

⁸ fDi Markets tracks cross-border investment in a new physical project or expansion of an existing investment which creates new jobs and capital investment. This data differs from official data on FDI flows as companies can raise capital locally, phase their investment over a period of time and channel their investment through different countries for tax efficiency.

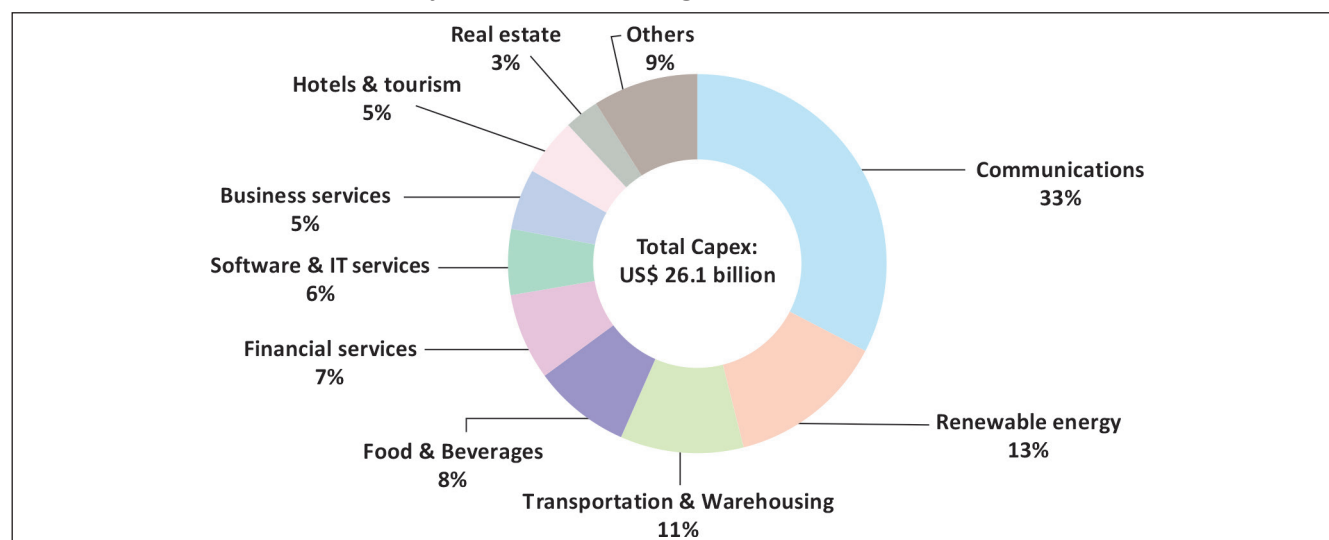
Table 6.3: Major Investors in New Zealand, 2013-2023

Source Country	Capex (US\$ million)	No. of Projects	No. of Jobs Created	No. of Companies Invested
FDI Capex in New Zealand	26,199.7	728	46,709	591
USA	10,849.8	160	12,085	138
Australia	4,536.1	218	14,628	175
UK	1,670.2	84	2,811	73
China	1,601.7	30	2,070	21
Germany	1,354.4	25	3,347	18
Canada	1,223.5	19	1,228	9
Hong Kong	714.9	11	1,177	9
Japan	598.7	19	1,815	17
Spain	431.2	8	434	7
Singapore	415.4	14	457	11
Netherlands	375.7	15	1013	12
Switzerland	310.3	17	681	12
Austria	239.5	5	484	4
France	207.5	28	670	23
India	192.6	14	396	12
Italy	162.2	7	237	7
Sweden	130.9	18	662	10
Denmark	126.1	3	213	3
Ireland	47.2	7	156	7
Brazil	44.4	3	256	3
South Africa	31.3	4	287	3

Source: fDi Markets online database and India Exim Bank Research

The communications sector received the maximum envisaged FDI capital expenditure in New Zealand, totaling US\$ 8.5 billion, accounting for 33.0% of the total envisaged FDI inflows received from January 2013 to December 2023 (**Chart 6.1**). This was followed by investments in renewable energy (US\$ 3.5 billion), transportation & warehousing (US\$ 2.7 billion), food and beverages (US\$ 2.1 billion), financial services (US\$ 1.9 billion), software & IT services (US\$ 1.4 billion), business services (US\$ 1.3 billion), hotels & tourism (US\$ 1.2 billion) and real estate (US\$ 776.5 million). The maximum number of projects were in transportation & warehousing (33 projects), followed by real estate (20 projects), industrial equipment (18 projects) and renewable energy (13 projects).

Chart 6.1: Major Sectors Attracting FDI in New Zealand, 2013-2023



Source: fDi Markets online database and India Exim Bank Research

New Zealand entities made a total outward envisaged FDI capital expenditure of US\$ 17.2 billion across 540 projects resulting in 38,085 jobs across the globe from January 2013 to December 2023 (**Table 6.4**). FDI outflows from New Zealand, which stood at US\$ 2.6 billion in 2013, moderated to US\$ 0.7 billion in 2021. However, FDI outflows recovered to US\$ 1.9 billion in 2022 and settled at US\$ 1.5 billion in 2023. In 2023, the outward investment activity witnessed a slight moderation with 44 projects and 2,906 jobs compared to 56 projects and 4,010 jobs in the previous year.

Table 6.4: Envisaged FDI Outflows from New Zealand, 2013-2023

Year	Capex (US\$ million)	No. of Projects	No. of Jobs Created	No. of Companies Invested
2013	2,621.6	75	4,022	49
2014	3,661.2	44	8,821	31
2015	676.7	45	3,139	36
2016	1,154.3	44	2,100	36
2017	1,630.9	46	4,259	36
2018	1,138.7	50	2,094	33
2019	1,171.3	55	2,256	37
2020	1,051.7	49	2,976	36
2021	708.2	32	1,502	26
2022	1,885.8	56	4,010	39
2023	1,464.3	44	2,906	31
Total	17,164.7	540	38,085	286

Source: fDi Markets online database and India Exim Bank Research

During 2013-2023, Australia was the largest recipient of envisaged FDI capital expenditure from New Zealand, with a capex investment of US\$ 4.9 billion, followed by the US, India, China, Hong Kong and the UK (**Table 6.5**).

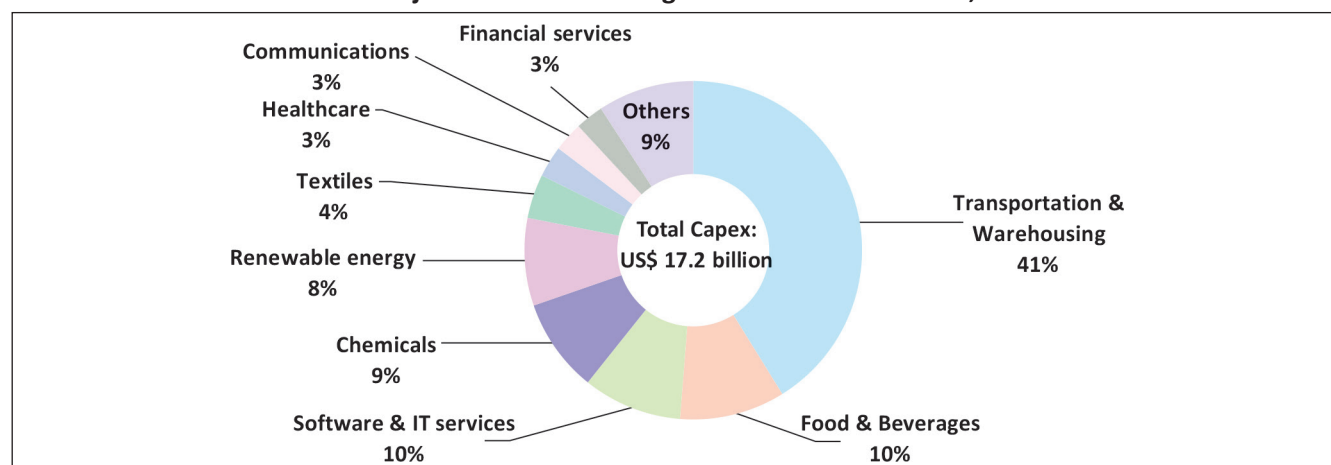
Table 6.5: Major Investment Destinations of New Zealand, 2013-2023

Destination Country	Capex (US\$ million)	No. of Projects	No. of Jobs Created	No. of Companies Invested
FDI Capex from New Zealand	17,164.7	540	38,085	286
Australia	4,940.4	135	11,936	84
USA	3,158.7	105	6,218	76
India	2,605.7	10	4,530	9
China	1,961.4	35	2,928	18
Hong Kong	505.5	12	670	11
UK	486.2	60	1,538	54
Canada	385.5	9	624	8
Malaysia	329.0	12	796	8
Tonga	276.6	1	46	1
Thailand	250.7	9	350	6
Singapore	223.6	16	397	16
Vietnam	201.6	12	467	11
Poland	189.2	4	624	2
Sri Lanka	158.1	7	1,238	2
Japan	140.1	4	357	4
Netherlands	133.2	10	505	9

Source: fDi Markets online database and India Exim Bank Research

The transportation & warehousing sector accounted for 41.0% of the envisaged investment outflow from New Zealand during 2013-2023, amounting to US\$ 7 billion (**Chart 6.2**). Other major sectors attracting FDI capex from New Zealand were food & beverages (US\$ 1.7 billion), software & IT services (US\$ 1.6 billion), chemicals (US\$ 1.5 billion), renewable energy (US\$ 1.4 billion), textiles (US\$ 716.3 million), healthcare (US\$ 510.2 million) and communications (US\$ 479.3 million). In terms of job creation, the sectors that dominated over the past decade include transportation & warehousing, software & IT services, food & beverages, healthcare and textiles.

Chart 6.2: Major Sectors Attracting FDI from New Zealand, 2013-2023



Source: fDi Markets online database and India Exim Bank Research

India's Bilateral Investment Relations with New Zealand

Foreign Direct Investment (FDI) is an important aspect of the economic relations between India and New Zealand, with New Zealand's cumulative investment into India amounting to US\$ 2.6 billion between 2013 and 2023. Similarly, Indian companies have also invested in New Zealand, particularly in sectors such as software and IT, business services, real estate and consumer products. According to fDi markets, the total cumulative investments of India in New Zealand amounted to US\$ 192.6 million during the same period. Overall, the economic relations between India and New Zealand have been mutually beneficial, with significant potential for further growth and cooperation in the future.

India's Investments in New Zealand

To gain a meaningful understanding of the trends in Indian overseas investments, this study has drawn upon the data collated by the Financial Times through its online database tracking cross-border greenfield investment, viz. fDi Markets. From January 2013 to December 2023, India made a total capital investment of US\$ 192.6 million in New Zealand across 14 projects, supporting 396 jobs in the country (**Table 6.6**).

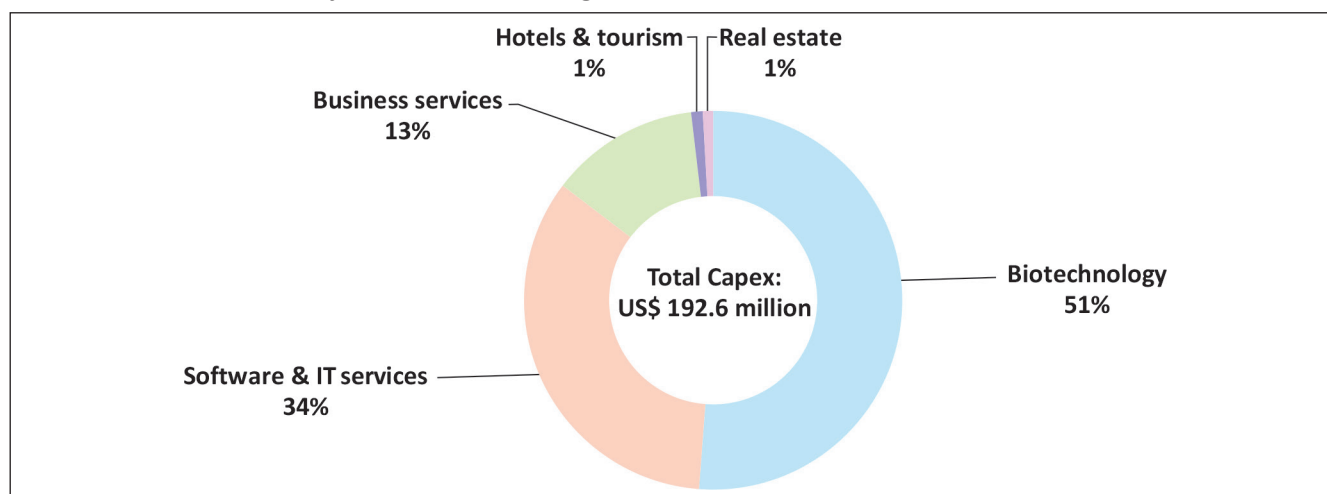
Table 6.6: India's Envisaged Investments in New Zealand, 2013-2023

Year	Capex (US\$ million)	No. of Projects	No. of Jobs Created	No. of Companies Invested
2013	20.1	3	51	2
2014	1	1	1	1
2015	19	2	27	2
2019	1.5	1	60	1
2021	6.5	1	18	1
2022	105.8	3	163	3
2023	38.7	3	76	3
Total	192.6	14	396	12

Source: fDi Markets online database and India Exim Bank Research

In terms of capital investments made during 2013-2023, the largest share was in biotechnology (51.0% of Indian investments in New Zealand), software & IT services (34.0%), business services (13.0%), hotels and tourism (1.0%) and real estate (1.0%) (**Chart 6.3**). The maximum number of projects were in software & IT services (22 projects), followed by business services (14) and consumer products (11) during the same period.

Chart 6.3: Major Sectors Attracting Indian Investments in New Zealand, 2013-2023



Source: fDi Markets online database and India Exim Bank Research

New Zealand's Investments in India

Recently, India has emerged as an attractive FDI destination stemming from its liberal policy in sensitive sectors like insurance, defence, pharmaceuticals, e-commerce and health services, among others. From January 2013 to December 2023, India received US\$ 2.6 billion in FDI from New Zealand, spread across 10 projects and supporting 4,530 jobs. The major investment came in the year 2014 with capex investments worth US\$ 2.5 billion (**Table 6.7**). In March 2014, an investment of US\$ 2.5 billion was announced by New Zealand in the transportation & warehousing sector as part of the logistics, distribution & transportation project in India. New Zealand-based Vivus Global, a company which specialises in international cross border finance, leveraged buyouts and equity investments, announced establishing a US\$ 2.5 billion shipyard facility in Rajapur, India.

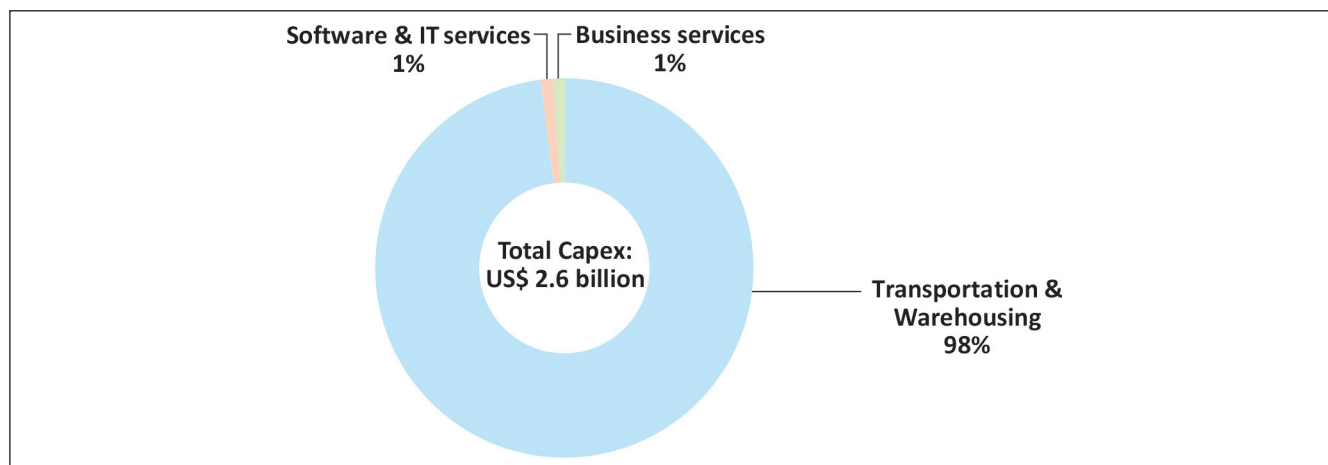
Table 6.7: New Zealand's Envisaged Investments in India, 2013-2023

Year	Capex (US\$ million)	No. of Projects	No. of Jobs Created	No. of Companies Invested
2023	68.6	3	320	3
2022	18.3	1	696	1
2018	1.8	1	49	1
2015	1.6	1	11	1
2014	2,510.3	2	3,428	2
2013	5.1	2	26	2
Total	2,605.7	10	4,530	9

Source: fDi Markets online database and India Exim Bank Research

As far as sectoral composition in terms of investments is concerned, the majority share has been in transporting and warehousing (98%) during 2013-2023 (**Chart 6.4**).

Chart 6.4: Major Sectors Attracting New Zealand's Investment in India, 2013-2023



Source: fDi Markets online database and India Exim Bank Research



Scope of India-New Zealand Free Trade Agreement

The earlier chapters have provided a detailed analysis of India's export capabilities in the New Zealand market using revealed comparative analysis, while this chapter elaborates on the tariffs imposed by New Zealand on products imported from India. It briefly discusses which products could benefit from tariff liberalization, primarily focusing on those that face the highest tariffs along with their classification and trade effect. In the following **Table 7.1**, it is evident that products corresponding to the "*Product Champions*" classification face the highest tariffs (upto 10%) from New Zealand on multiple commodities. While India already exports these products significantly to New Zealand, if liberalization occurs, India's exports could further expand without the need for additional improvements in capability and competitiveness and achieve a greater share in New Zealand's imports.

Major sectors that stand to benefit from tariff liberalization include articles of apparel and clothing accessories (knitted and non-knitted) (HS 61-62), carpets and other textile floor coverings (HS-57), footwear and gaiters (HS-64), machinery and mechanical appliances (HS-84), vehicles other than railway or tramway (HS-87) and articles of iron and steel (HS-73), among others. Top products across these sectors that indicate potential to gains for Indian exports to the New Zealand market, post tariff liberalisation, include t-shirts, singlets and other vests of cotton, knitted or crocheted (HS-610910); women's or girls' dresses of cotton (excluding knitted or crocheted and petticoats) (HS-620442); women's or girls' trousers, bib and brace overalls, breeches, and shorts of cotton, knitted (HS-610462); carpets and other floor coverings of man-made textile materials, tufted "needle punched" (HS-570339) and footwear incorporating a protective metal toe cap, with outer soles of rubber, plastics, or leather (HS-640340), among others.

Table 7.1: Top Products of Interest for India for Tariff Liberalisation with New Zealand

HS Code	Product	India's Exports of Item to New Zealand (US\$ '000)	World Exports of Item to New Zealand (US\$ '000)	Tariff (%)	NRCA	Trade Creation (US\$ '000)	Trade Diversion (US\$ '000)	Total Trade Effect (US\$ '000)	Classification
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	5784	95232	10.0	0.7	447.6	976.8	1424.3	Product Champions
611120	Babies' garments and clothing accessories of cotton, knitted or crocheted (excl. hats)	2873	24330	10.0	0.8	283.4	443.1	726.6	Winners in Declining Sectors

HS Code	Product	India's Exports of Item to New Zealand (US\$ '000)	World Exports of Item to New Zealand (US\$ '000)	Tariff (%)	NRCA	Trade Creation (US\$ '000)	Trade Diversion (US\$ '000)	Total Trade Effect (US\$ '000)	Classification
620442	Women's or girls' dresses of cotton (excl. knitted or crocheted and petticoats)	2820	17669	10.0	0.9	282.3	457.3	739.6	Product Champions
610510	Men's or boys' shirts of cotton, knitted or crocheted (excl. nightshirts, T-shirts, singlets)	1751	11024	10.0	0.9	62.2	122.3	184.5	Winners in Declining Sectors
621143	Women's or girls' tracksuits and other garments of man-made fibres (excl. knitted)	1481	14538	10.0	0.8	67.7	114.6	182.2	Winners in Declining Sectors
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted	1456	17187	10.0	0.8	127.1	219.9	347.1	Product Champions
570339	Carpets and other floor coverings, of man-made textile materials, tufted "needle punched"	1355	7294	10.0	0.9	-	-	-	Product Champions
620342	Men's or boys' trousers, bib and brace overalls, breeches and shorts, of cotton (excl. knitted)	1157	52464	10.0	0.4	179.4	231.7	411.1	Winners in Declining Sectors
620520	Men's or boys' shirts of cotton (excl. knitted or crocheted, nightshirts, singlets)	1145	29927	10.0	0.6	141.1	166.6	307.8	Winners in Declining Sectors
640340	Footwear, incorporating a protective metal toe cap, with outer soles of rubber, plastics, leather	1113	16495	10.0	0.7	126.8	253.7	380.6	Product Champions
620630	Women's or girls' blouses, shirts and shirt-blouses of cotton (excl. knitted or crocheted)	1107	12081	10.0	0.8	188.7	243.1	431.7	Winners in Declining Sectors
620462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excl. knitted)	1076	46939	10.0	0.4	159.1	193.5	352.6	Winners in Declining Sectors
570390	Carpet tiles of vegetable textile materials or coarse animal hair, tufted "needle punched"	986	1362	10.0	1.0	37.1	52.9	90.0	Product Champions
570231	Carpets and other floor coverings, of wool or fine animal hair, woven, not tufted or flocked	956	1166	10.0	1.0	92.4	25.5	117.9	Product Champions
610990	T-shirts, singlets and other vests of textile materials, knitted or crocheted (excl. cotton)	917	37874	10.0	0.4	47.5	75.6	123.1	Winners in Declining Sectors
621142	Women's or girls' tracksuits and other garments, of cotton (excl. knitted or crocheted)	880	4861	10.0	0.9	124.1	111.9	236.0	Product Champions

HS Code	Product	India's Exports of Item to New Zealand (US\$ '000)	World Exports of Item to New Zealand (US\$ '000)	Tariff (%)	NRCA	Trade Creation (US\$ '000)	Trade Diversion (US\$ '000)	Total Trade Effect (US\$ '000)	Classification
610442	Women's or girls' dresses of cotton, knitted or crocheted (excl. petticoats)	803	8272	10.0	0.8	20.6	122.4	143.0	Product Champions
570500	Carpets and other textile floor coverings, whether or not made up (excl. knotted, woven)	796	9852	10.0	0.8	71.5	55.9	127.5	Product Champions
620920	Babies' garments and clothing accessories of cotton (excl. knitted or crocheted and hats, napkins)	665	3380	10.0	0.9	67.5	110.7	178.2	Winners in Declining Sectors
620449	Women's or girls' dresses of textile materials (excl. of wool, fine animal hair, cotton)	654	11669	10.0	0.7	189.4	115.3	304.7	Product Champions
620590	Men's or boys' shirts of textile materials (excl. of cotton or man-made fibres, knitted)	552	5327	10.0	0.8	4.1	6.6	10.7	Product Champions
570299	Carpets and other floor coverings, of vegetable textile materials or coarse animal hair, woven	540	1619	10.0	0.9	172.6	19.9	192.6	Product Champions
621133	Men's or boys' tracksuits and other garments, n.e.s. of man-made fibres (excl. knitted)	538	7603	10.0	0.7	5.7	17.9	23.6	Product Champions
620444	Women's or girls' dresses of artificial fibres (excl. knitted or crocheted and petticoats)	523	11224	10.0	0.6	39.8	157.0	196.8	Product Champions
611420	Special garments for professional, sporting or other purposes, of cotton, knitted	521	9604	10.0	0.7	36.7	63.2	99.9	Winners in Declining Sectors
620452	Women's or girls' skirts and divided skirts of cotton (excl. knitted or crocheted and petticoats)	503	5838	10.0	0.8	54.9	61.3	116.3	Product Champions
870322	Motor cars and other motor vehicles principally designed for the transport	1941	403072	6.7	-0.4	140.5	263.2	403.7	Underachievers
640319	Sports footwear, with outer soles of rubber, plastics, leather or composition leather and uppers	716	8487	6.7	0.8	5.2	8.0	13.2	Winners in Declining Sectors
630419	Bedspreads of all types of textile materials (excl. knitted or crocheted, bedlinen, quilts)	8938	578	5.0	1.0	7.8	6.9	14.7	Winners in Declining Sectors
843141	Buckets, shovels, grabs and grips for machinery of heading 8426, 8429 and 8430	4142	15022	5.0	0.9	659.2	395.8	1055.0	Product Champions

HS Code	Product	India's Exports of Item to New Zealand (US\$ '000)	World Exports of Item to New Zealand (US\$ '000)	Tariff (%)	NRCA	Trade Creation (US\$ '000)	Trade Diversion (US\$ '000)	Total Trade Effect (US\$ '000)	Classification
630492	Articles for interior furnishing, of cotton (excl. knitted or crocheted, blankets and travelling)	3195	3046	5.0	1.0	63.6	57.4	121.0	Product Champions
630231	Bedlinen of cotton (excl. printed, knitted or crocheted)	2982	30133	5.0	0.8	439.5	464.5	904.0	Product Champions
847410	Sorting, screening, separating or washing machines for solid mineral substances	2730	22433	5.0	0.8	159.5	84.6	244.1	Product Champions
721590	Bars or rods, of iron or non-alloy steel, cold-formed or cold-finished and further worked	2536	2883	5.0	1.0	294.5	20.2	314.7	Product Champions
420100	Saddlery and harness for any animal, incl. traces, leads, knee pads, muzzles, saddle cloths	2265	13513	5.0	0.9	155.7	180.9	336.6	Product Champions
330499	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments)	2238	199969	5.0	0.0	42.6	82.2	124.8	Product Champions
940490	Articles of bedding and similar furnishing, fitted with springs or stuffed or internally filled	2080	38139	5.0	0.7	122.2	201.4	323.6	Winners in Declining Sectors
730840	Equipment for scaffolding, shuttering, propping or pit-propping (excl. composite sheetpiling)	1877	29227	5.0	0.7	563.9	111.4	675.3	Product Champions
420222	Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface	1734	27765	5.0	0.7	49.7	83.7	133.4	Product Champions
321519	Printing ink, whether or not concentrated or solid (excl. black ink)	1509	24415	5.0	0.7	60.4	109.5	169.9	Winners in Declining Sectors
732393	Table, kitchen or other household articles, and parts thereof, of stainless steel (excl. cans)	1409	32644	5.0	0.6	108.2	159.3	267.5	Product Champions
560313	Nonwovens, whether or not impregnated, coated, covered or laminated, of man-made filaments	1338	12381	5.0	0.8	189.6	173.7	363.3	Product Champions
190531	Sweet biscuits	1331	59433	5.0	0.4	55.6	94.2	149.8	Winners in Declining Sectors

HS Code	Product	India's Exports of Item to New Zealand (US\$ '000)	World Exports of Item to New Zealand (US\$ '000)	Tariff (%)	NRCA	Trade Creation (US\$ '000)	Trade Diversion (US\$ '000)	Total Trade Effect (US\$ '000)	Classification
730890	Structures and parts of structures, of iron or steel (excl. bridges and bridge-sections)	1249	97396	5.0	0.1	53.7	63.7	117.3	Product Champions
846599	Machine tools for working wood, cork, bone, hard rubber, hard plastics or similar hard materials	1202	9911	5.0	0.8	2.4	5.2	7.6	Winners in Declining Sectors
71220	Dried onions, whole, cut, sliced, broken or in powder, but not further prepared	1159	3292	5.0	0.9	41.5	44.5	86.0	Product Champions
200799	Jams, jellies, marmalades, purées or pastes of fruit, obtained by cooking	1148	12330	5.0	0.8	114.3	137.9	252.2	Winners in Declining Sectors
940360	Wooden furniture (excl. for offices, kitchens and bedrooms, and seats)	1143	71494	5.0	0.2	66.4	159.6	226.0	Winners in Declining Sectors
401691	Floor coverings and mats, of vulcanised rubber (excl. hard rubber), with chamfered sides, rounded	1140	6045	5.0	0.9	74.8	170.4	245.3	Product Champions
560312	Nonwovens, whether or not impregnated, coated, covered or laminated, of man-made filaments	1095	7759	5.0	0.9	96.5	90.1	186.6	Product Champions

Note: '-' implies nil data

Source: WITS Database and India Exim Bank Research

Products in the “*Underachievers*” classification that face high tariffs represent opportunities for India to pursue further tariff liberalization while also focussing on capacity development. These goods have strong demand in the New Zealand market, which could result in increased trade between India and New Zealand.

On the other hand, products classified as ‘*Winners in a Declining Market*’ have successfully thrived despite facing high tariffs in New Zealand. If tariff liberalization occurs, these goods may see further growth in the New Zealand market due to their resilience. However, it is important to note that the overall demand for these products is declining. Offering them at more competitive prices through tariff liberalization could lead to increased reliance on India for these goods, driven by trade diversion.

Import Demand of India from New Zealand

Table 7.2 outlines the estimated increase in imports from New Zealand if tariffs are liberalized. The products in the “*immediate influx*” category are goods that New Zealand already exports to Indian markets, where there is strong corresponding demand. Therefore, any liberalization will lead to a sudden increase, as the necessary infrastructure and experience to harness the potential benefit of tariff liberalization are already in place. Major sectors in this category include edible fruit and nuts (especially apples) (HS-08), products of

animal origin (HS-05), iron and steel (HS-72), albuminoidal substances (HS-35), wool, fine or coarse animal hair (HS-51) and aluminium and articles (HS-76) and beverages, spirits and vinegar (HS-22), among others.

Further, the products in the “*Potential to increase in the medium term*” category are likely to see growth over the medium term, as these goods are currently sourced from other than New Zealand. Easier access to the Indian market through reduced tariffs will incentivize capacity enhancement in these sectors. Key sectors in this category include edible fruit and nuts (especially kiwi) (HS-08), albuminoidal substances (HS-35), dairy produce (HS-04), and meat and edible meat offal (HS-02) and beverages, spirits and vinegar (HS-22).

The products in the “*Import demand may rise due to improved competitiveness*” category represent goods whose demand in Indian markets is declining but still represent a significant share of imports from New Zealand. Liberalizing tariffs could further increase the share of these products from New Zealand. Additionally, the demand for these products could also recover if they are offered at competitive prices. Top products under this category include sugars and sugar confectionery (HS-17), paper and paperboard (HS-48), wool (HS-51) and wood and articles of wood (HS-44).

Table 7.2: Import Demand in Indian Market from New Zealand Post-Liberalisation

HS Code (6 digit)	Product	India's Imports from New Zealand (US\$ '000)	India's Global Imports (US\$ '000)	Tariff (%)	Trade Creation (US\$ '000)	Trade Diversion (US\$ '000)	Total Trade Effect (US\$ '000)	Classification
220421	Wine of fresh grapes, incl. fortified wines, and grape must whose fermentation has been arrested	365	950959	150	58	117	175	Potential to increase in medium run
210690	Food preparations	97	704985	150	1	2	3	Potential to increase in medium run
220850	Gin and Geneva	37	2216	150	218	39	257	Immediate influx
170199	Cane or beet sugar and chemically pure sucrose, in solid form (excl. cane and beet sugar)	627	16773	100	404	569	973	Import demand may rise due to improved competitiveness
330210	Mixtures of odoriferous substances and mixtures, incl. alcoholic solutions	126	5780	100	120	199	319	Immediate influx
40221	Milk and cream in solid forms, of a fat content by weight of > 1.5%, unsweetened	230	4532768	60	244	55	299	Potential to increase in medium run
40900	Natural honey	57	243262	60	26	45	72	Potential to increase in medium run
40210	Milk and cream in solid forms, of a fat content by weight of <= 1.5%	45	1333522	60	75	139	214	Potential to increase in medium run
80810	Fresh apples	23160	532863	50	5415	9802	15217	Immediate influx
110710	Malt (excl. roasted)	81	1973	40	13	22	35	Immediate influx

HS Code (6 digit)	Product	India's Imports from New Zealand (US\$ '000)	India's Global Imports (US\$ '000)	Tariff (%)	Trade Creation (US\$ '000)	Trade Diversion (US\$ '000)	Total Trade Effect (US\$ '000)	Classification
350220	Milk albumin "lactalbumin", incl. concentrates of two or more whey proteins containing by weight	23557	228833	30	4680	5500	10180	Immediate influx
81050	Fresh kiwifruit	6594	1480685	30	1831	2607	4438	Potential to increase in medium run
510121	Shorn wool, degreased, non-carbonised, neither carded nor combed	5456	137635	30	216	1042	1258	Import demand may rise due to improved competitiveness
170211	Lactose in solid form and lactose syrup, not containing added flavouring or colouring matter	5100	37037	30	2673	1702	4375	Import demand may rise due to improved competitiveness
20442	Frozen cuts of sheep, with bone in (excl. carcasses and half-carcasses)	1719	1504362	30	250	46	296	Potential to increase in medium run
350190	Caseinates and other casein derivatives; casein glues (excl. those put up for retail sale)	1436	459761	30	264	410	674	Potential to increase in medium run
170219	Lactose in solid form and lactose syrup, not containing added flavouring or colouring matter	873	39	30	363	237	600	Immediate influx
80440	Fresh or dried avocados	871	27722	30	191	387	577	Immediate influx
180690	Chocolate and other preparations containing cocoa, in containers or immediate packings	592	29068	30	72	51	122	Immediate influx
350400	Peptones and their derivatives; other protein substances and their derivatives	564	88202	30	88	236	324	Potential to increase in medium run
50690	Bones and horn-cores and their powder and waste, unworked, defatted, degelatinised	427	6535	30	15079	0	15079	Immediate influx
130219	Vegetable saps and extracts (excl. liquorice, hops, opium and ephedra)	357	4833	30	81	75	156	Immediate influx
230910	Dog or cat food, put up for retail sale	304	189529	30	36	95	131	Potential to increase in medium run
350110	Casein	284	566190	30	98	56	154	Potential to increase in medium run

HS Code (6 digit)	Product	India's Imports from New Zealand (US\$ '000)	India's Global Imports (US\$ '000)	Tariff (%)	Trade Creation (US\$ '000)	Trade Diversion (US\$ '000)	Total Trade Effect (US\$ '000)	Classification
230990	Preparations of a kind used in animal feeding (excl. dog or cat food put up for retail sale)	235	34699	30	95	110	205	Potential to increase in medium run
40610	Fresh cheese "unripened or uncured cheese", incl. whey cheese and curd	124	389843	30	15	29	44	Potential to increase in medium run
40150	Milk and cream of a fat content by weight of > 10%, not concentrated nor containing added sugar	60	634448	30	8	18	26	Potential to increase in medium run
170490	Sugar confectionery not containing cocoa, incl. white chocolate (excl. chewing gum)	39	63317	30	2	4	6	Potential to increase in medium run
510129	Degreased wool, non-carbonised, neither carded nor combed (excl. shorn wool)	26124	653	25	3587	3650	7237	Immediate influx
510119	Greasy wool, incl. fleece-washed wool, neither carded nor combed (excl. shorn wool)	3230	25	25	933	1601	2534	Immediate influx
510111	Greasy shorn wool, incl. fleece-washed wool, neither carded nor combed	3141	100778	25	5	10	15	Import demand may rise due to improved competitiveness
940310	Metal furniture for offices (excl. seats)	47	1015	25	6	1	7	Import demand may rise due to improved competitiveness
731815	Threaded screws and bolts, of iron or steel, whether or not with their nuts and washers	43	1791	25	0	0	0	Immediate influx
730729	Tube or pipe fittings of stainless steel (excl. cast products, flanges, threaded elbows, bends)	41	4406	25	0	1	1	Potential to increase in medium run
940370	Furniture of plastics (excl. medical, dental, surgical or veterinary, and seats)	39	648	25	0	0	0	Immediate influx
850440	Static converters	1900	117287	20	302	421	723	Immediate influx
711319	Articles of jewellery and parts, of precious metal other than silver	705	22759	20	20	13	33	Import demand may rise due to improved competitiveness
950629	Water-skis, surfboards and other water-sport equipment (other than sailboards)	269	563	20	2	7	9	Import demand may rise due to improved competitiveness

HS Code (6 digit)	Product	India's Imports from New Zealand (US\$ '000)	India's Global Imports (US\$ '000)	Tariff (%)	Trade Creation (US\$ '000)	Trade Diversion (US\$ '000)	Total Trade Effect (US\$ '000)	Classification
950699	Articles and equipment for sport and outdoor games, swimming and paddling pools	102	8598	20	7	17	24	Immediate influx
851680	Electric heating resistors (excl. those of agglomerated coal and graphite)	40	6844	20	2	7	9	Potential to increase in medium run
732690	Articles of iron or steel (excl. cast articles or articles of iron or steel wire)	287	14941	16	17	41	59	Import demand may rise due to improved competitiveness
720449	Waste and scrap of iron or steel (excl. slag, scale and other waste of the production of iron)	28981	214250	15	1219	2698	3917	Immediate influx
720421	Waste and scrap of stainless steel (excl. radioactive, and waste and scrap of batteries)	9295	24844	15	8042	2978	11020	Immediate influx
903180	Instruments, appliances and machines for measuring or checking, not elsewhere specified	448	25190	15	35	48	83	Immediate influx
720429	Waste and scrap of alloy steel (excl. stainless steel, and waste and scrap, radioactive)	238	32955	15	17	23	40	Potential to increase in medium run
853720	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	217	7752	15	4	29	33	Immediate influx
853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution	214	26147	15	2	37	40	Potential to increase in medium run
730441	Tubes, pipes and hollow profiles, seamless, of circular cross-section, of stainless steel	87	29	15	53	19	71	Immediate influx
903289	Regulating or controlling instruments and apparatus (excl. hydraulic or pneumatic, manostats)	59	4626	15	2	5	7	Import demand may rise due to improved competitiveness
392310	Boxes, cases, crates and similar articles for the conveyance or packaging of goods, of plastics	39	11210	15	0	0	0	Potential to increase in medium run

Note: '-' implies nil data

Source: WITS database and India Exim Bank Research

Classification of goods based on the tariff barriers faced by products in each other's markets are presented in **Tables 7.1** and **7.2**. However, non-tariff barriers have increasingly restricted goods, even at lower tariff rates post liberalisation. According to UNCTAD's TRAINS, 73% of New Zealand's imports are subject to NTMs, representing 59% of imports. Therefore, the agreement should also aim to address non-tariff barriers to facilitate freer movement of goods between both economies.

Contentious Sectors between India & New Zealand

Dairy Products

According to a report from the United States on Non-Tariff Barriers, India imposes certain requirements on dairy imports. Based on religious and cultural grounds, India continues to insist that dairy products intended for food be derived from animals that have never consumed any feeds containing internal organs, blood meal, or tissues of ruminant origin, and that exporting countries certify to these conditions. Combined with high effectively applied tariff rates ranging between 30% to 60%, this regulation continues to hinder market access for New Zealand milk and dairy product exports to one of the largest dairy markets in the world, despite New Zealand being a world leader in producing high-quality and safe milk.⁹

New Zealand produces approximately 21 billion litres of milk annually, which is approximately 3% of the world's milk production or a milk volume - equivalent to two and a half serves of dairy a day for 90 million people. As the world's eighth-largest milk producer with a population of just five million, New Zealand exports over 90% of its domestically produced milk to over 130 countries worldwide.¹⁰ The highest tariff rates faced by the dairy sector of New Zealand i.e. 60% is in the case of milk and cream in solid forms, of a fat content by weight of lesser than or equal to 1.5% (HS-040210) as well as to milk and cream in solid forms, of a fat content by weight of greater than 1.5% and unsweetened (HS-040221).

The Indian dairy sector is largely composed of marginal farmers owning a couple of buffaloes and cows and operating with a limited number of resources. Currently, low productivity per animal hinders the development of the dairy sector of India. Despite being the world's largest milk producer, India's productivity per animal is very low, due to ineffective cattle and buffalo breeding programmes, limited extension and management of dairy enterprise development, traditional feeding practices that are not based on scientific feeding methods, and limited availability and affordability of quality feed and fodder. In addition, policies limiting interstate movement of animals exacerbate the scarcity of quality animals. Indigenous cattle and buffalo make up 45% of the total milch population, while cross-bred cows account for roughly 10%.¹¹ According to the report submitted to the Principal Scientific Advisor to the Government of India, despite being the highest milk producer in the world, the average annual milk production per cow is around 1,200 kg (50% of global average) in India, which is significantly low compared with New Zealand (3,343 kg), Australia (5,600 kg), the UK (7,101 kg), the US (9,332 kg) and Israel (10,214 kg).¹² New Zealand, being a large exporter of dairy products, will continue to look for the Indian market for its milk powder and fat products due to its competitive edge, even though exports of liquid milk from New Zealand may not be competitive.

⁹ National Trade Estimate Report on Foreign Trade Barriers, United States Trade Representative, 2021.

¹⁰ Dairy Companies Association of New Zealand.

¹¹ FAO.

¹² https://static.psa.gov.in/psa_prod/publication/Report%20of%20Policies%20and%20Action%20for%20Agriculture.pdf

Consequently, opening up of the dairy sector which is a major source of livelihood providing employment to millions of people at various levels like production, procurement, transportation, value addition for New Zealand can distort the domestic market with sudden influx of dairy products under liberalised scheme, which has been the concern in the context of RCEP as well.

On the other hand, there is a good potential for milk-based ethnic Indian sweets, ready-to-eat milk-based food products and ready-to-cook milk-based sweets such as Khoya, Rabri, Basundi, Paneer, Mishti Dahi, Kulfi etc. because of the strong presence of Indian Diaspora in New Zealand. However, despite having a strong production base and having implemented a fairly robust export inspection regime, India's export of milk products to New Zealand remains negligible.

Alcoholic Beverages

India imposes the highest simple average effectively applied tariff of 150% on beverages, spirits, and vinegar. This category accounted for US\$ 0.26 million of India's imports from New Zealand in 2022. Approximately two-thirds of India's imports from New Zealand in this category consist of wine made from fresh grapes, including fortified wines and grape must, whose fermentation has been arrested by the addition of alcohol. These imports primarily come in containers of 2 litres or less (HS-220421), followed by larger containers exceeding 10 litres (HS-220429), as well as Gin and Geneva (HS-220850), all of which attract the 150% tariff.

New Zealand has one of the world's most export-oriented wine industries, with almost 90% of its wine sold across competitive markets globally.¹³ New Zealand exporters face significant challenges in entering the Indian market due to the high tariffs, making this issue a major point of contention in trade negotiations. Additionally, alcoholic beverages in India are not covered under the GST regime. Instead, respective state governments impose hefty excise duties, as alcohol remains one of their largest sources of revenue. While New Zealand negotiators may advocate for the inclusion of alcoholic beverages under GST, the actual revenue from GST might be much lower than anticipated, potentially limiting the attractiveness of such a proposal. Further, existing high tariffs on alcohol imports can be justified as it being a sin good perceived as harmful to society and a great source of revenue for the authorities.

Agriculture Goods

New Zealand's economy is deeply rooted in the agricultural and horticultural sectors, with these industries playing a critical role in the nation's overall economic well-being. A significant portion of New Zealand's agricultural output is destined for international markets, with an estimated 85-90% of its dairy, meat, fruit and vegetable production being exported. This heavy reliance on exports underscores the importance of global market access for New Zealand's economic stability and growth.

Accordingly, New Zealand is likely to seek greater access to Indian markets, especially for its agricultural products. These sectors also present significant gains for New Zealand agricultural exports to India post tariff liberalisation. One product of particular interest is fresh apples which currently attracts 50% tariff, a key export for New Zealand. However, this presents a challenge for India, as the importation of such goods can have significant implications for local farmers and communities. In India, agriculture is not only a vital part of the economy but also a critical source of livelihood for millions.

¹³ Statista, "Wind industry in New Zealand-statistics & facts", December 16, 2024.

The influx of imported agricultural products like fresh apples could potentially disrupt local markets, leading to reduced income and job losses for Indian farmers. Therefore, while New Zealand may strongly advocate for the inclusion of its agricultural products in any trade negotiations with India, it is essential for India to consider the potential impact on domestic livelihoods. Balancing trade liberalization with the protection of local agricultural sectors will be crucial. India may need to negotiate terms that allow for the gradual opening of its markets or implement safeguard measures to protect its farmers, ensuring that any increased access to New Zealand's agricultural goods does not come at the expense of the well-being of India's agricultural communities.



Way Forward and Policy Recommendations

The evolution of the trading partnership and complementarity discussed in previous chapters underscores the significance of the bilateral relationship between India and New Zealand. Recently, India and New Zealand have seen a renewed vigour in their relationship, with both economies eager to strengthen this partnership and enhance economic collaboration. Now is the ideal time for India and New Zealand to incentivise their strong trade and investment ties and elevate this relationship to new heights. Several policy initiatives that could further boost bilateral cooperation are briefly discussed below.

I. Mutual Recognition Agreements: A Mutual Recognition Agreement (MRA) is a crucial element in FTAs that facilitates the reduction of technical barriers to trade (TBTs). By mutually recognizing the conformity assessment procedures, MRAs ensure that products certified in one country are accepted in the partner country without additional testing or certification.

Implementing MRAs within the proposed India-New Zealand FTA could significantly lower trade barriers by eliminating redundant testing and certification processes. This mutual recognition ensures that products meeting the standards in one country are accepted in the other, facilitating smoother trade flows and enhancing market access for businesses in both nations. By acknowledging each other's regulatory standards and procedures, the MRA provides businesses with greater confidence and predictability in accessing new markets, thus enhancing trade efficiency.

Streamlined procedures resulting from MRAs reduce administrative burdens, expedite the movement of goods across borders and improve the overall trade operation efficiency, benefiting both industries and consumers alike. Furthermore, MRAs can foster closer economic ties and cooperation between India and New Zealand, promoting mutual trust and understanding in regulatory practices and standards. The scope of these agreements can extend to various sectors, including pharmaceuticals, electronics, machinery and agricultural products, with each sector having tailored agreements addressing specific regulatory and conformity assessment requirements. This sector-specific focus ensures that the MRAs cater to the unique needs of different industries, further bolstering the bilateral trade relationship.

Specific agencies from India can enter into Mutual Recognition Agreements (MRAs) with their counterparts in New Zealand as follows:

1. Bureau of Indian Standards (BIS) with Standards New Zealand

- This MRA would cover general product standards and conformity assessments to ensure mutual recognition of certification processes and standards compliance.

2. Export Inspection Council (EIC) with International Accreditation New Zealand (IANZ)

- This MRA would focus on the inspection and certification of export products, facilitating smoother trade by mutually recognizing inspection procedures and accreditation.

3. Food Safety and Standards Authority of India (FSSAI) with New Zealand Food Safety (NZFS)

- This MRA would ensure that food safety standards and certification processes are mutually recognized, easing the export and import of food products between the two countries.

4. Central Drugs Standard Control Organization (CDSCO) with Medicines Control (part of the Ministry of Health, New Zealand)

- This MRA would address the recognition of pharmaceutical and medical device standards, ensuring that certifications and approvals are accepted reciprocally.

5. Drug Controller General of India and Ministry for Primary Industries (MPI), New Zealand on good manufacturing practice (GMP) compliance in Pharmaceuticals and medical devices

- Under this MRA, Indian goods covered under these sectors can be tested in India against New Zealand regulations, and then sold in New Zealand without additional testing there and vice versa.
- This could cover therapeutic goods, including active pharmaceutical ingredients, GMP inspections and batch certification, product standards, manufacturing standards; conformance assessment requirements, packaging and labeling standards.

6. Agricultural and Processed Food Products Export Development Authority (APEDA) with Ministry for Primary Industries (MPI), New Zealand

- This MRA would cover the standards and certification for agricultural and processed food products, facilitating easier trade by mutually recognizing quality and safety standards. This could also cover organic products.

Similarly, **MRAs in the automobile sector** could be another proposal. India remains a regional hub for the manufacture and export of small cars and motorcycles. Importing vehicles in New Zealand must meet the emission and safety standards. Importers need Vehicle Import Approval (VIA) from the New Zealand Transport Agency. By simplifying homologation, including through mutual recognition of comparable domestic standards for vehicles, India and New Zealand can enhance market access to each other's automotive products.

Additionally, India may consider entering into a **Sanitary Agreement with New Zealand**, similar to the agreements New Zealand has with the UK and the EU. The agreement will be on promoting transparency and cooperation in Sanitary Measures Applicable to Trade in Live Animals and Animal Products.

These agreements would enhance trade efficiency, reduce costs, and build stronger economic ties between India and New Zealand by streamlining regulatory processes and fostering mutual trust in standards and certifications.

II. Civil Aviation Cooperation: With a significant Indian diaspora living in New Zealand and the growing flow of tourism between the two countries, establishing direct air connectivity between the two countries is a strategic

move to enhance bilateral relations across various sectors. A high-level delegation from New Zealand visited India in September 2019 to explore this possibility, and the direct flights operated under the Vande Bharat Mission have further strengthened the prospects of a regular direct weekly flight. Such connectivity would boost tourism, support economic growth, strengthen cultural and business ties, and provide convenience for the diaspora. To achieve this, both governments should engage in revising bilateral air services agreements, conduct a comprehensive market analysis and feasibility study, offer incentives to airlines, promote joint tourism campaigns, ensure infrastructure support, and maintain continuous stakeholder engagement.

III. Cooperation in Agriculture and Dairy Sector: New Zealand's expertise in dairy farming, processing, and agricultural research, positions it as a valuable partner for India, one of the largest agricultural producers in the world. By collaborating on agricultural research and technology exchange, both countries can enhance productivity, improve food security, and promote sustainable farming practices. New Zealand's advanced dairy technologies and practices can help India modernize its dairy sector, leading to higher quality and more efficient production. This partnership can also open new markets for dairy products, benefiting farmers and businesses in both nations. The synergy between India's vast agricultural resources and New Zealand's innovative agricultural techniques has the potential to drive significant economic growth and strengthen bilateral trade ties.

Recently, India has sought early market access for grape exports to New Zealand and approval for its vapour heat treatment (VHT) facilities to promote fruit trade between the two nations. VHT is a process used to eliminate pests and pathogens on fruit, ensuring safety and compliance with biosecurity standards, which is crucial for exporting fruit to countries with strict regulations.

IV. Cooperation in Information Technology and Digital Services: India and New Zealand are both recognized for their strong IT sectors. While India is known for its global leadership in software development and IT services, New Zealand is known for its innovative digital solutions and cybersecurity advancements. By forming strategic partnerships in IT services, software development, and digital innovation, both countries can enhance their technological capabilities and market reach. Joint ventures in cybersecurity and digital infrastructure projects can further bolster economic growth and resilience against cyber threats. Additionally, collaboration in e-governance can improve public service delivery and foster greater transparency. This cooperation not only creates business opportunities but also drives technological advancements that can benefit various sectors, thus contributing to overall economic development.

V. Education and Skill Development: Education and skill development represent another critical area for collaboration between India and New Zealand. New Zealand is an increasingly popular destination for Indian students, with over 30,000 Indian students enrolled in various educational institutions across the country as of 2023. The appeal of New Zealand's education system lies in its high standards, innovative teaching methods, and emphasis on research, particularly in the fields of agriculture, engineering, and management. For India, with its vast and youthful population, enhancing education and skill development is essential for sustaining economic growth and meeting the demands of a rapidly evolving job market. There is considerable potential for collaboration in this sector, such as student exchange programs and scholarships, which can enhance academic collaboration and deepen cultural ties between the two countries. These exchanges would not only allow Indian students to benefit from New Zealand's world-class education system, but would also provide New Zealand students with exposure to India's diverse and dynamic academic environment. Moreover, collaboration in skill development, particularly in areas like agriculture, IT and management,

could prove highly beneficial. New Zealand's experience in vocational training, curriculum development, and certification processes could help India in its mission to upskill its workforce and meet the demands of a growing economy. Furthermore, joint research initiatives between Indian and New Zealand institutions could lead to significant advancements in critical areas such as climate change, sustainable development, and public health, resulting in innovative solutions to some of the most pressing global challenges while also fostering stronger academic and professional ties.

VI. Renewable Energy and Environmental Sustainability: The commitment of both India and New Zealand to renewable energy and environmental sustainability presents another promising area for engagement. India has set ambitious targets for expanding its renewable energy capacity, aiming to achieve 500 GW by 2030, driven by significant investments in solar, wind, and other renewable energy sources. Meanwhile, New Zealand, though smaller in size, is also highly committed to sustainability, with a target of achieving 100% renewable electricity by 2035. The potential for collaboration in this sector is significant. For instance, partnering on joint renewable energy projects and leveraging New Zealand's expertise in geothermal energy could be particularly beneficial for India. Collaborative efforts could also focus on developing new technologies and innovations that enhance the efficiency and cost-effectiveness of renewable energy production. Furthermore, India and New Zealand could work together on climate change mitigation strategies, sharing knowledge and best practices in areas such as carbon capture, sustainable agriculture, and biodiversity conservation. New Zealand's expertise in marine biodiversity conservation could be particularly valuable for India, given its extensive coastline and rich marine ecosystems. Such collaboration could help both countries advance their sustainability goals while contributing to global efforts in combating climate change and protecting the environment. This partnership would not only benefit India and New Zealand but also set an example for other nations in the pursuit of a more sustainable and resilient future.

VII. Tourism and Hospitality: Tourism and hospitality are key sectors where India and New Zealand can deepen their engagement. Both countries boast rich cultural heritage, diverse natural landscapes, and a wide array of tourist attractions, making them popular destinations for travellers from around the world. In 2019, before the pandemic, over 70,000 Indian tourists visited New Zealand, reflecting the growing interest of Indian travellers in the country's scenic beauty and adventure tourism offerings, among others. Tourism is a significant contributor to both economies, accounting for 9.2% of India's GDP and around 6% of New Zealand's GDP as of 2023. The potential for collaboration in this sector is vast and multifaceted. For instance, collaborating on eco-tourism initiatives would promote sustainable tourism practices that protect and preserve the natural environment in both countries, attracting environmentally conscious tourists and creating a niche market that benefits both nations. Additionally, joint marketing campaigns could be launched to promote tourism destinations, leveraging digital platforms and social media to reach a global audience. Moreover, exchange programmes for hospitality management students and professionals could enhance service standards in the tourism industry, ensuring that both countries are well-equipped to cater to the needs of international travellers. Through the sharing of best practices and joint initiatives, India and New Zealand can strengthen their tourism sectors, create new opportunities for economic growth, and foster deeper cultural ties.

VIII. Collaboration on GI Tags in the Agreement: India and New Zealand can strategically leverage Geographical Indications (GI) tags to enhance market access and protect unique regional products. For India, with its rich portfolio of over 400 GI-tagged items like Darjeeling tea and Basmati rice, an agreement with New Zealand could secure better access supported by legal protection in New Zealand's market, reducing the risk of counterfeit products. In return, New Zealand could promote its GI-tagged products, such as Marlborough

Sauvignon Blanc and Manuka honey, to India's vast and growing consumer base. Mutual recognition of these GIs would protect against imitation and misuse, ensuring that only genuine products from designated regions can use these names, thereby enhancing the marketability and value of these products in both countries.

This collaboration could also bring broader economic benefits. For India, promoting GI-tagged products in New Zealand could boost rural development by providing higher value to traditional producers. For New Zealand, GI tags could help differentiate its products in the competitive Indian market, particularly among consumers seeking premium, authentic items. Moreover, cultural exchange and tourism could be promoted through joint activities centred on GI-tagged products, enriching bilateral ties. To incorporate these benefits into a formal agreement, specific clauses could be introduced to ensure mutual recognition and protection of GIs. The agreement could include provisions that define the scope of GIs, establish procedures for registration and enforcement, and create a legal framework to prevent the use of misleading labels. Additionally, clauses could also outline the cooperation between the two countries on the promotion and marketing of GI products, including joint efforts to prevent the unauthorized use of GIs in third-party markets.

In the recently signed New Zealand-EU FTA, New Zealand provided protection for 1,975 EU GIs used on a wide range of products, mostly foods and beverages.

IX. Collaboration on SMEs involving Indigenous People: India and New Zealand have significant opportunities to collaborate on issues related to indigenous and tribal population, leveraging their shared commitment to empowering these communities. New Zealand has been a leader in integrating indigenous perspectives into trade agreements, most notably through initiatives like the Indigenous Peoples Economic and Trade Cooperation Arrangement (IPETCA), which includes countries like Canada and Australia, and aims at enhancing the economic inclusion of indigenous peoples by fostering trade and investment opportunities that are culturally and economically beneficial. India's interest in such collaborations could focus on enhancing economic opportunities for its tribal populations by aligning with New Zealand's experience in this domain, particularly in areas like traditional knowledge, and sustainable development.

The inclusion of specific clauses in the future agreement that promote indigenous cooperation could be a strong motivator for both countries. Such clauses might involve commitments to protect indigenous intellectual property, promote fair trade practices, and support small and medium-sized enterprises (SMEs) run by indigenous and tribal communities. By embedding these principles in an agreement, both nations could ensure that the benefits of trade are more equitably distributed, fostering long-term socio-economic growth for their indigenous populations. This collaboration could also help elevate the international profile of indigenous trade issues, aligning with global instruments like the UN Declaration on the Rights of Indigenous Peoples.

Focusing on the role of SMEs, particularly those run by indigenous and tribal communities, offers significant potential benefits. India's large tribal population is engaged in various traditional crafts, agriculture, and small-scale enterprises. Collaborating with New Zealand, where Māori-owned SMEs play a vital role in the economy, could help India develop frameworks to support tribal SMEs more effectively. This could involve sharing best practices on access to finance, market development, and export strategies tailored for indigenous businesses. Additionally, both countries could work together to promote traditional knowledge and products through GIs and branding, allowing indigenous SMEs to command premium prices in global markets.

Both countries can provide improved goods market access for some primary sector products of relevance to Māori export businesses as well as Indian tribal products through tariff elimination. Trade facilitation measures and improvements could be implemented to address non-tariff barriers such as release of ‘perishable goods’ such as seafood within six hours of arrival, including (in exceptional circumstances) release of such goods outside normal business hours, which should reduce spoilage and save exporters money. Collaboration may be explored in areas such as digitalising indigenous language and culture and renewable energy models.

New Zealand’s past FTAs, such as those with the EU and the UK, have included provisions that reflect their commitment to Māori interests. These provisions could serve as a model for any envisaged agreement between India and New Zealand, ensuring that the rights and economic opportunities of indigenous peoples are safeguarded and promoted within the framework of international trade. By focusing on sustainable practices and inclusive trade policies, the collaboration between India and New Zealand can significantly boost the economic prospects of indigenous and tribal SMEs, fostering greater economic inclusion and promoting sustainable, culturally resonant development.


X. Government Procurement: Government Procurement could be a critical area for collaboration between India and New Zealand, offering opportunities for mutual economic benefits. Incorporating provisions on government procurement could enhance transparency, competition and access to each other’s markets, leading to increased trade and economic cooperation.

While India has traditionally been cautious about including government procurement in FTAs due to concerns about protecting domestic industries and maintaining sovereignty over procurement policies, it has been gradually opening up to the idea, as seen in recent FTAs and its observer status in the WTO’s Government Procurement Agreement (GPA). New Zealand is a member of the WTO GPA and has included government procurement chapters in several of its FTAs, such as the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP) and the New Zealand-Australia Closer Economic Relations Trade Agreement (CER).

India and New Zealand could negotiate reciprocal access to their government procurement markets, which would allow firms from both countries to bid for government contracts on equal terms, fostering competition and potentially lowering costs for public projects. According to the WTO estimates, government procurement accounts for 13-20% of GDP in most countries. In India, this sector is significant, with estimates suggesting it could be as high as 20-25% of GDP. New Zealand’s government procurement market is smaller but highly transparent, with an estimated annual spend of NZD 42 billion as of 2023.

Both countries could also agree on enhancing transparency in government procurement processes, which may include, among others, commitments to publish procurement opportunities online, ensure fair and open tender processes and allow for independent review mechanisms. New Zealand has strong transparency measures in its FTAs, which could serve as a model for India. For instance, in the CPTPP, New Zealand committed to making procurement information publicly available and ensuring the non-discriminatory treatment of foreign suppliers.

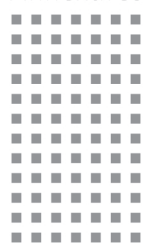
New Zealand could assist India in building capacity for efficient and transparent procurement practices, including training for Indian procurement officials, sharing best practices and providing technical assistance to help Indian suppliers meet international standards. Such cooperation could benefit Indian SMEs, enabling them to compete more effectively in international procurement markets. Both countries could agree to promote sustainable and inclusive procurement practices, ensuring that procurement policies support broader



social, environmental, and economic goals. New Zealand's procurement policies often include provisions for sustainability and the inclusion of SMEs. Incorporating similar provisions in a bilateral agreement could align with India's goals of promoting '*Make in India*' and sustainable development.

Collaborating on government procurement could thus bring substantial benefits to both countries. By ensuring fair competition, enhancing transparency, and promoting sustainable procurement practices, both nations could unlock new economic opportunities.

Annexures



Annexure 1: Mapping of Major Export Destinations for Commodities Exported by New Zealand with India's Major Import Sources of Same Products, 2023

HS Code	Product (Export Value)	Major Export Destinations of New Zealand	Exports (US\$ million)	% Share in New Zealand's Exports of Product	Product (India's Import Value)	Major Import Sources of India	Imports (US\$ million)	% Share in India's Imports of Product
	Total Exports of New Zealand (US\$ 39,763.4 million)	China	10,996.2	27.7	Total Imports of India (US\$ 671,997.3 million)	China	121,930.0	18.1
		USA	4,900.7	12.3		Russia	67,072.0	10.0
		Australia	4,779.5	12		USA	42,117.9	6.3
		Japan	2,229.9	5.6		UAE	37,529.4	5.6
		South Korea	1,359.0	3.4		Saudi Arabia	34,652.4	5.2
		India (26 th Largest)	262.4	0.7		New Zealand (86 th Largest)	392.3	0.1
4	Dairy produce, birds' eggs and natural honey (US\$ 12,204.2 million)	China	3,767.4	30.9	Dairy produce, birds' eggs and natural honey (US\$ 60.9 million)	France	22.8	37.5
		Australia	678.7	5.6		Poland	7.7	12.7
		Indonesia	612.4	5.0		Germany	4.9	8.1
		Algeria	597.0	4.9		Turkey	4.0	6.5
		USA	537.8	4.4		Lithuania	3.3	5.4
		India (80 th Largest)	2.6	-		New Zealand (16 th Largest)	0.5	0.8
2	Meat and edible meat offal (US\$ 5,383.0 million)	China	1,904.5	35.4	Meat and edible meat offal (US\$ 6.8 million)	New Zealand (Largest)	2.3	33.4
		USA	1,378.8	25.6		Belgium	1.3	18.8
		Netherlands	221.1	4.1		Australia	0.8	12.1
		Japan	220.7	4.1		Spain	0.7	10.7
		UK	211.2	3.9		Turkey	0.5	7.7
		India (55 th Largest)	1.9	-		Thailand	0.3	5.7
44	Wood and articles of wood; wood charcoal (US\$ 2,888.4 million)	China	1,832.7	63.5	Wood and articles of wood; wood charcoal (US\$ 2,282.6 million)	Malaysia	211.1	9.2
		USA	211.2	7.3		Indonesia	191.0	8.4
		Japan	202.5	7.0		China	158.9	7.0
		Korea, Republic of	176.4	6.1		Germany	125.9	5.5
		Australia	175.6	6.1		Uruguay	123.5	5.4
		India (16 th Largest)	5.9	0.2		New Zealand (34 th Largest)	9.5	0.4

HS Code	Product (Export Value)	Major Export Destinations of New Zealand	Exports (US\$ million)	% Share in New Zealand's Exports of Product	Product (India's Import Value)	Major Import Sources of India	Imports (US\$ million)	% Share in India's Imports of Product
8	Edible fruit and nuts; peel of citrus fruit or melons (US\$ 2,150.5 million)	China	537.1	25.0	Edible fruit and nuts; peel of citrus fruit or melons (US\$ 4,038.5 million)	USA	1,018.2	25.2
		Japan	308.0	14.3		Afghanistan	366.2	9.1
		European Union Nes	304.8	14.2		Ghana	242.4	6.0
		Taiwan	170.7	7.9		Côte d'Ivoire	228.6	5.7
		USA	151.8	7.1		Iran	183.3	4.5
		India (13 th Largest)	25.5	1.2		New Zealand (26 th Largest)	30.6	0.8
22	Beverages, spirits and vinegar (US\$ 1,537.1 million)	USA	507.7	33	Beverages, spirits and vinegar (US\$ 1,476.3 million)	UK	435.5	29.5
		Australia	398.8	25.9		Spain	407.4	27.6
		UAE	284.5	18.5		USA	186.2	12.6
		Canada	87.2	5.7		Brazil	65.0	4.4
		China	37.0	2.4		Nepal	63.3	4.3
		India (60 th Largest)	0.2	0.0		New Zealand (40 th Largest)	0.4	0.0
19	Preparations of cereals, flour, starch (US\$ 1,522.5 million)	China	880.1	57.8	Preparations of cereals, flour, starch (US\$ 156.0 million)	Indonesia	24.8	15.9
		Australia	224.7	14.8		Malaysia	24.2	15.5
		Hong Kong, China	140.7	9.2		Thailand	19.3	12.4
		UK	47.3	3.1		Bangladesh	19.3	12.4
		Malaysia	45.4	3.0		Singapore	17.1	11.0
		India	-	-		New Zealand	-	-
35	Albuminoidal substances; modified starches (US\$ 1,353.1 million)	China	429.8	31.8	Albuminoidal substances; modified starches (US\$ 851.7 million)	China	296.8	34.8
		USA	255.2	18.9		USA	92.4	10.9
		Japan	205.5	15.2		Thailand	53.1	6.2
		Mexico	60.3	4.5		Germany	50.3	5.9
		Indonesia	56.3	4.2		Netherlands	40.8	4.8
		India (11 th Largest)	22.4	1.7		New Zealand (9 th Largest)	25.9	3.0
84	Machinery and mechanical appliances (US\$ 1,192.1 million)	USA	375.2	31.5	Machinery and mechanical appliances (US\$ 57,047.0 million)	China	24,689.7	43.3
		Australia	354.3	29.7		USA	5,473.1	9.6
		UK	47.5	4.0		Germany	5,166.9	9.1
		Canada	39.4	3.3		Japan	3,457.7	6.1
		Chile	35.7	3.0		Italy	2,406.3	4.2
		India (17 th Largest)	9.3	0.8		New Zealand (53 rd Largest)	10.5	0.02

Source: ITC Trade Map and India Exim Bank Research

Annexure 2: Mapping of Major Import Sources for Commodities Imported by New Zealand with India's Major Export Destinations of Same Products, 2023

HS Code	Product (Import Value)	Major Import Sources of New Zealand	Imports (US\$ million)	% Share in New Zealand's Imports of Product	Product (India's Export Value)	Major Export Destinations of India	Exports (US\$ million)	% Share in India's Exports of Product
	Total Imports of New Zealand (US\$ 49,958.4 million)	China	10,351.9	20.7	Total Exports of India (US\$ 49,958.4 million)	USA	75,797.5	17.6
		Australia	5,381.3	10.8		UAE	33,007.6	7.7
		USA	4,899.1	9.8		Netherlands	23,111.2	5.4
		South Korea	3,708.8	7.4		China	16,241.3	3.8
		Japan	3,338.9	6.7		UK	13,401.6	3.1
		India (15 th Largest)	691.0	1.4		New Zealand (85 th Largest)	522.3	0.1
27	Mineral fuels, mineral oils and products (US\$ 7,292.3 million)	South Korea	2,776.8	38.1	Mineral fuels, mineral oils and products (US\$ 89,332.9 million)	Netherlands	14,990.9	16.8
		Singapore	2,336.8	32		UAE	7,459.8	8.4
		Malaysia	1,112.7	15.3		USA	6,524.7	7.3
		Japan	482.8	6.6		Singapore	5,537.2	6.2
		China	198.5	2.7		Australia	3,667.9	4.1
		India (9 th Largest)	34.9	0.5		New Zealand (55 th Largest)	56.1	0.1
87	Vehicles other than railway or tramway (US\$ 6,961.3 million)	Japan	2,012.9	28.9	Vehicles other than railway or tramway (US\$ 20,816.6 million)	USA	2,580.9	12.4
		Thailand	799.8	11.5		Mexico	1,685.7	8.1
		China	727.5	10.5		Saudi Arabia	1,643.0	7.9
		Germany	581.8	8.4		South Africa	1,520.9	7.3
		USA	394.6	5.7		Turkey	909.2	4.4
		India (24 th Largest)	24.1	0.3		New Zealand (94 th Largest)	17.7	0.1
84	Machinery and mechanical appliances (US\$ 6,815.9 million)	China	1,699.1	24.9	Machinery and mechanical appliances (US\$ 29,303.2 million)	USA	5,987.9	20.4
		USA	1,317.1	19.3		Germany	1,531.0	5.2
		Germany	591.1	8.7		Singapore	1,435.5	4.9
		Japan	428.3	6.3		UK	1,373.9	4.7
		UK	323.7	4.7		UAE	1,293.5	4.4
		India (18 th Largest)	66.5	1.0		New Zealand (79 th Largest)	29.4	0.1
85	Electrical machinery and equipment (US\$ 4,486.0 million)	China	2,131.0	47.5	Electrical machinery and equipment (US\$ 32,315.5 million)	USA	9,893.2	30.6
		Vietnam	405.3	9.0		UAE	3,617.9	11.2
		USA	331.1	7.4		UK	1,711.6	5.3
		Australia	275.9	6.2		Netherlands	1,683.5	5.2
		Malaysia	129.5	2.9		Germany	1,173.7	3.6
		India (17 th Largest)	33.3	0.7		New Zealand (91 st Largest)	14.0	0.04

HS Code	Product (Import Value)	Major Import Sources of New Zealand	Imports (US\$ million)	% Share in New Zealand's Imports of Product	Product (India's Export Value)	Major Export Destinations of India	Exports (US\$ million)	% Share in India's Exports of Product
90	Optical, photographic, cinematographic and surgical instruments (US\$ 1,677.7 million)	USA	453.5	27	Optical, photographic, cinematographic and surgical instruments (US\$ 5,051.8 million)	USA	974.2	19.3
		China	229.4	13.7		Germany	307.3	6.1
		Australia	158	9.4		France	285.3	5.6
		Germany	128.4	7.7		Singapore	269.2	5.3
		UK	58.4	3.5		UAE	262.0	5.2
		India (32 nd Largest)	4.6	0.3		New Zealand (112 th Largest)	2.1	0.04
39	Plastics and articles (US\$ 1,556.9 million)	China	474.2	30.5	Plastics and articles (US\$ 7,117.1 million)	USA	1,378.7	19.4
		Australia	209.4	13.5		UAE	432.3	6.1
		USA	139.1	8.9		China	277.4	3.9
		Thailand	77.3	5.0		Nepal	249.9	3.5
		Taiwan	65.3	4.2		UK	240.1	3.4
		India (18 th Largest)	16.5	1.1		New Zealand (82 nd Largest)	10.9	0.2
30	Pharmaceutical products (US\$ 1,495.1 million)	Australia	272	18.2	Pharmaceutical products (US\$ 21,295.0 million)	USA	7,548.4	35.4
		USA	168.3	11.3		UK	636.2	3.0
		Germany	155.5	10.4		South Africa	624.6	2.9
		Ireland	154.2	10.3		Netherlands	530.8	2.5
		UK	120.4	8.1		France	505.3	2.4
		India (8 th Largest)	78.6	5.3		New Zealand (63 rd Largest)	59.5	0.3
88	Aircraft, spacecraft and parts (US\$ 1,048.9 million)	USA	673.3	64.2	Aircraft, spacecraft and parts (US\$ 1,933.2 million)	USA	486.2	25.1
		France	174.7	16.7		France	194.6	10.1
		Germany	97.3	9.3		UAE	187.7	9.7
		Canada	45.5	4.3		Kuwait	177.5	9.2
		Italy	9.2	0.9		UK	144.8	7.5
		India (33 rd Largest)	0.1	-		New Zealand	-	-

Source: ITC Trade Map and India Exim Bank Research

Annexure 3: Tariff Mapping of India, China and Singapore with Product Champions of India

HS Code	Products	Simple Average Effectively Applied Tariff Imposed by New Zealand (%)			India's Export of Item to New Zealand (US\$ '000)	World Exports of Item to New Zealand (US\$ '000)	India's NRCA
		India	China	Singapore			
271012	Light oils and preparations, of petroleum or bituminous minerals which $\geq 90\%$ by volume	-	-	-	52714	2219460	0.4
300490	Medicaments consisting of mixed or unmixed products for therapeutic or prophylactic purposes	0	0	0	49856	831501	0.7
630260	Toilet linen and kitchen linen, of terry towelling or similar terry fabrics of cotton	0	0	-	11275	23633	1.0
711319	Articles of jewellery and parts thereof, of precious metal other than silver	2.5	0	0	7512	116242	0.7
610910	T-shirts, singlets and other vests of cotton, knitted or crocheted	10	0	0	5784	95232	0.7
481159	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated	0	0	0	4172	55248	0.8
843141	Buckets, shovels, grabs and grips for machinery of heading 8426, 8429 and 8430	5	0	0	4142	15022	0.9
700510	Float glass and surface ground or polished glass, in sheets, having an absorbent	0	0	0	4072	9329	1.0
790111	Unwrought zinc, not alloyed, containing by weight $\geq 99.99\%$ of zinc	0	-	-	3697	18113	0.9
854449	Electric conductors, for a voltage ≤ 1.000 V, insulated, not fitted with connectors	2.5	0	0	3324	107739	0.5
200110	Cucumbers and gherkins, prepared or preserved by vinegar or acetic acid	4	0	-	3307	5704	1.0
630532	Flexible intermediate bulk containers, for the packing of goods, of synthetic or man-made textile	2	0	0	3306	7870	1.0
630492	Articles for interior furnishing, of cotton (excl. knitted or crocheted, blankets)	5	0	-	3195	3046	1.0
630231	Bedlinen of cotton (excl. printed, knitted or crocheted)	5	0	-	2982	30133	0.8
51000	Ambergris, castoreum, civet and musk; cantharides; bile, whether or not dried; glands and other	0	0	-	2846	17454	0.9
620442	Women's or girls' dresses of cotton (excl. knitted or crocheted and petticoats)	10	0	0	2820	17669	0.9
847410	Sorting, screening, separating or washing machines for solid mineral substances	5	0	-	2730	22433	0.8
721590	Bars or rods, of iron or non-alloy steel, cold-formed or cold-finished and further worked	5	0	-	2536	2883	1.0
847290	Office machines	0	0	-	2524	18751	0.9
732599	Cast articles of iron or steel (excl. articles of non-malleable cast iron, and grinding)	3.33	0	-	2484	5718	1.0
130219	Vegetable saps and extracts (excl. liquorice, hops, opium and ephedra)	0	0	0	2452	31433	0.8

HS Code	Products	Simple Average Effectively Applied Tariff Imposed by New Zealand (%)			India's Export of Item to New Zealand (US\$ '000)	World Exports of Item to New Zealand (US\$ '000)	India's NRCA
		India	China	Singapore			
420100	Saddlery and harness for any animal, incl. traces, leads, knee pads, muzzles, saddle cloths	5	0	0	2265	13513	0.9
330499	Beauty or make-up preparations and preparations for the care of the skin (other than medicaments)	5	0	0	2238	199969	0.0
293359	Heterocyclic compounds with nitrogen hetero-atom[s] only, containing a pyrimidine ring	0	0	0	1943	7866	0.9
730840	Equipment for scaffolding, shuttering, propping or pit-propping (excl. composite sheetpiling)	5	0	-	1877	29227	0.7
190590	Bread, pastry, cakes, biscuits and other bakers' wares, whether or not containing cocoa	3.33	0	0	1796	142108	0.1
761699	Articles of aluminium	2.5	0	0	1759	48231	0.6
871130	Motorcycles, incl. mopeds, with reciprocating internal combustion piston engine of a cylinder	0	0	-	1744	19601	0.8
420222	Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface	5	0	0	1734	27765	0.7
531010	Woven fabrics of jute or of other textile bast fibres of heading 5303, unbleached	0	0	0	1694	2218	1.0
120740	Sesamum seeds, whether or not broken	0	0	-	1632	2398	1.0
960200	Worked vegetable or mineral carving material and articles of these materials n.e.s; moulded	2.5	0	-	1593	5807	0.9
950699	Articles and equipment for sport and outdoor games; swimming and paddling pools	3.33	0	-	1562	50235	0.5
80450	Fresh or dried guavas, mangoes and mangosteens	0	0	0	1512	12777	0.8
610462	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton, knitted	10	0	-	1456	17187	0.8
200190	Vegetables, fruit, nuts and other edible parts of plants, prepared or preserved by vinegar	4.5	0	0	1428	9282	0.9
481099	Paper and paperboard, coated on one or both sides with kaolin "China clay" or other inorganic	0	0	-	1417	11278	0.8
732393	Table, kitchen or other household articles, and parts thereof, of stainless steel (excl. cans)	5	0	0	1409	32644	0.6
90111	Coffee (excl. roasted and decaffeinated)	0	0	-	1398	71114	0.3
040590	Fats and oils derived from milk, and dehydrated butter and ghee (excl. natural butter, recombined)	0	-	-	1385	3750	0.9
847050	Cash registers incorporating a calculating device	0	0	0	1364	19170	0.7
560313	Nonwovens, whether or not impregnated, coated, covered or laminated, of man-made filaments	5	0	-	1338	12381	0.8
540261	Multiple "folded" or cabled filament yarn of nylon or other polyamides, incl. monofilament	0	0	-	1294	626	1.0
730890	Structures and parts of structures, of iron or steel (excl. bridges and bridge-sections)	5	0	0	1249	97396	0.1
230400	Oilcake and other solid residues, whether or not ground or in the form of pellets	0	0	-	1237	120255	0.0

HS Code	Products	Simple Average Effectively Applied Tariff Imposed by New Zealand (%)			India's Export of Item to New Zealand (US\$ '000)	World Exports of Item to New Zealand (US\$ '000)	India's NRCA
		India	China	Singapore			
330190	Extracted oleoresins; concentrates of essential oils in fats, fixed oils, waxes and the like	1.67	0	0	1207	3079	0.9
847329	Parts and accessories of non-electronic calculators for accounting machines, cash registers	0	0	0	1200	3300	0.9
850220	Generating sets with spark-ignition internal combustion piston engine	0	0	-	1191	10807	0.8
842119	Centrifuges, incl. centrifugal dryers (excl. isotope separators, cream separators and clothes	0	0	0	1165	6299	0.9
71220	Dried onions, whole, cut, sliced, broken or in powder, but not further prepared	5	0	-	1159	3292	0.9
401691	Floor coverings and mats, of vulcanised rubber (excl. hard rubber), with chamfered sides, rounded	5	0	0	1140	6045	0.9
530500	Coconut, abaca "Manila hemp or Musa textilis Nee", ramie, agave and other vegetable textile	0	0	-	1123	2637	1.0
640340	Footwear, incorporating a protective metal toecap, with outer soles of rubber, plastics, leather	10	0	0	1113	16495	0.7
560312	Nonwovens, whether or not impregnated, coated, covered or laminated, of man-made filaments	5	0	-	1095	7759	0.9
091091	Mixtures of different types of spices	2	0	0	1078	1768	1.0
630499	Articles for interior furnishing, of textile materials (excl. of cotton or synthetic fibres	5	0	-	1052	1739	1.0
392390	Articles for the conveyance or packaging of goods, of plastics (excl. boxes, cases, crates	5	0	0	1019	39283	0.4
830241	Base metal mountings and fittings suitable for buildings (excl. locks with keys and hinges)	5	0	0	1007	34717	0.5
510610	Carded wool yarn containing >= 85% wool by weight (excl. that put up for retail sale)	-	0	-	1001	1775	1.0
570390	Carpet tiles of vegetable textile materials or coarse animal hair, tufted "needle punched"	10	0	-	986	1362	1.0
760429	Bars, rods and solid profiles, of aluminium alloys	5	0	0	984	32313	0.5
853620	Automatic circuit breakers for a voltage <= 1.000 V	5	0	0	975	24331	0.6
160529	Shrimps and prawns, prepared or preserved, in airtight containers (excl. smoked)	1.67	0	0	970	747	1.0
90422	Fruits of the genus Capsicum or of the genus Pimenta, crushed or ground	4	0	-	958	3413	0.9
570231	Carpets and other floor coverings, of wool or fine animal hair, woven, not tufted or flocked	10	0	-	956	1166	1.0
847420	Crushing or grinding machines for solid mineral substances	5	0	0	932	23943	0.6
621142	Women's or girls' tracksuits and other garments of cotton (excl. knitted or crocheted)	10	0	0	880	4861	0.9

HS Code	Products	Simple Average Effectively Applied Tariff Imposed by New Zealand (%)			India's Export of Item to New Zealand (US\$ '000)	World Exports of Item to New Zealand (US\$ '000)	India's NRCA
		India	China	Singapore			
482010	Registers, account books, notebooks, order books, receipt books, letter pads, memorandum pads	0	0	0	878	15348	0.7
281700	Zinc oxide; zinc peroxide	0	0	-	870	3345	0.9
200490	Vegetables and mixtures of vegetables, prepared or preserved otherwise than by vinegar or acetic	4.5	0	-	839	8494	0.8
282990	Perchlorates; bromates and perbromates; iodates and periodates (excl. inorganic or organic)	0	-	-	805	1549	1.0
610442	Women's or girls' dresses of cotton, knitted or crocheted (excl. petticoats)	10	0	-	803	8272	0.8
570500	Carpets and other textile floor coverings, whether or not made up (excl. knotted, woven or	10	0	-	796	9852	0.8
091099	Spices (excl. pepper of the genus Piper, fruit of the genus Capsicum or of the genus Pimenta	2.67	0	0	782	2847	0.9
121190	Plants, parts of plants, incl. seeds and fruits, used primarily in perfumery, in pharmacy	0	0	0	774	13111	0.7
871140	Motorcycles, incl. mopeds, with reciprocating internal combustion piston engine of a cylinder	0	0	-	751	14027	0.7
110290	Cereal flours (excl. wheat, meslin and maize)	2	0	0	751	6859	0.8
722240	Angles, shapes and sections of stainless steel	0	0	0	748	2651	0.9
732510	Articles of non-malleable cast iron	5	0	-	740	5821	0.9
400520	Compounded rubber, unvulcanised, in the form of solutions or dispersions (excl. rubber compounded)	5	0	-	740	18	1.0
540752	Woven fabrics of yarn containing >= 85% by weight of textured polyester filaments, incl. monofilament	0	0	-	737	3250	0.9
481940	Sacks and bags, incl. cones, of paper, paperboard, cellulose wadding or webs of cellulose fibres	0	0	0	733	40192	0.3
420221	Handbags, whether or not with shoulder straps, incl. those without handles, with outer surface	5	0	0	729	27401	0.4
843290	Parts of agricultural, horticultural or forestry machinery for soil preparation or cultivation	0	0	0	721	17508	0.6
071080	Vegetables, uncooked or cooked by steaming or by boiling in water, frozen (excl. potatoes)	0	0	-	717	18571	0.6
853690	Electrical apparatus for switching electrical circuits, or for making connections to or in	1.25	0	0	705	41378	0.3
292320	Lecithins and other phosphoaminolipids, whether or not chemically defined	0	0	0	694	11456	0.7
292519	Imides and their derivatives; salts thereof (excl. saccharin and its salts, glutethimide [INN]	0	0	-	691	292	1.0
262190	Slag and ash, incl. seaweed ash "kelp" (excl. slag, incl. granulated, from the manufacture	0	0	-	690	3151	0.9
853810	Boards, panels, consoles, desks, cabinets and other bases for the goods of heading 8537	0	0	0	683	8810	0.8

HS Code	Products	Simple Average Effectively Applied Tariff Imposed by New Zealand (%)			India's Export of Item to New Zealand (US\$ '000)	World Exports of Item to New Zealand (US\$ '000)	India's NRCA
		India	China	Singapore			
282760	Iodides and iodide oxides (excl. inorganic or organic compounds of mercury)	0	0	-	683	897	1.0
190540	Rusks, toasted bread and similar toasted products	5	0	-	665	3567	0.9
292121	Ethylenediamine and its salts	0	0	0	661	948	1.0
110100	Wheat or meslin flour	5	0	-	657	7999	0.8
870870	Road wheels and parts and accessories thereof, for tractors, motor vehicles for the transport	4	0	0	656	27767	0.4
620449	Women's or girls' dresses of textile materials (excl. of wool, fine animal hair, cotton)	10	0	-	654	11669	0.7
660390	Parts, trimmings and accessories for umbrellas and sun umbrellas of heading 6601	0	0	-	625	1708	0.9
842820	Pneumatic elevators and conveyors	-	0	-	615	1677	0.9
060311	Fresh cut roses and buds, of a kind suitable for bouquets or for ornamental purposes	0	-	-	604	2236	0.9
853890	Parts suitable for use solely or principally with the apparatus of heading 8535, 8536 or 8537	3.64	0	0	594	38696	0.2
220210	Waters, incl. mineral and aerated, with added sugar, sweetener or flavour, for direct consumption	4.5	0	0	592	54248	0.0
848340	Gears and gearing for machinery (excl. toothed wheels, chain sprockets and other transmission	5	0	0	557	37246	0.2
340290	Surface-active preparations, washing preparations, incl. auxiliary washing preparations	5	0	0	554	15553	0.6
950662	Inflatable balls	5	0	-	553	6437	0.8
620590	Men's or boys' shirts of textile materials (excl. of cotton or man-made fibres, knitted or	10	0	0	552	5327	0.8
300439	Medicaments containing hormones or steroids used as hormones but not antibiotics	0	0	-	551	51943	0.0
848390	Toothed wheels, chain sprockets and other transmission elements presented separately; parts	5	0	0	550	17169	0.5
761090	Structures and parts of structures, of aluminium, and plates, rods, profiles, tubes	5	0	-	550	45535	0.1
90932	Cumin seeds, crushed or ground	4	0	-	549	1045	1.0
570299	Carpets and other floor coverings, of vegetable textile materials or coarse animal hair, woven	10	0	-	540	1619	0.9
621133	Men's or boys' tracksuits and other garments of man-made fibres (excl. knitted)	10	0	0	538	7603	0.7
631010	Used or new rags, scrap twine, cordage, rope and cables and worn-out articles thereof, of textile	0	0	-	535	2555	0.9
340600	Candles, tapers and the like	5	0	0	535	12165	0.6
620444	Women's or girls' dresses of artificial fibres (excl. knitted or crocheted and petticoats)	10	0	-	523	11224	0.6
090931	Cumin seeds, neither crushed nor ground	0	0	-	520	650	1.0

HS Code	Products	Simple Average Effectively Applied Tariff Imposed by New Zealand (%)			India's Export of Item to New Zealand (US\$ '000)	World Exports of Item to New Zealand (US\$ '000)	India's NRCA
		India	China	Singapore			
391723	Rigid tubes, pipes and hoses, of polymers of vinyl chloride	5	0	0	518	4791	0.8
330741	"Agarbatti" and other odoriferous preparations which operate by burning	5	0	-	518	844	1.0
482020	Exercise books of paper or paperboard	0	0	-	515	2797	0.9
843390	Parts of harvesting machinery, threshing machinery, mowers and machines for cleaning, sorting	0.9	0	0	511	31758	0.2
071140	Cucumbers and gherkins provisionally preserved, e.g. by sulphur dioxide gas, in brine, in sulphur	5	-	-	509	585	1.0
071360	Dried, shelled pigeon peas "Cajanus cajan", whether or not skinned or split	0	-	-	507	196	1.0
620452	Women's or girls' skirts and divided skirts of cotton (excl. knitted or crocheted and petticoats)	10	0	-	503	5838	0.8

Note: Tariffs on Singapore is considered to represent ASEAN (since these are tariffs on currently traded products, simple average tariff varies for different ASEAN countries relative to traded tariff lines).

Source: WITS, ITC Trade Map and India Exim Bank Research

Clarifications

1. Simple average applied MFN of 1.9% for New Zealand as per WTO is correct, even though there are products at 5% and 10% tariff levels. Average tariff on traded products is coming to 1.9%. We have manually calculated and checked the simple average tariff on traded lines of New Zealand.
2. New Zealand basically has three different tariff duties – 0%, 5% and 10%. Since we have considered the simple average of applied MFN for traded tariff lines at 6-digit level for a summary purpose, few lines at 6-digit level have MFN rates falling between 0-5% and 5-10%. If we consider the actual tariffs of New Zealand at 8-digit level, all tariff lines fall under 0%, 5% and 10% tariff levels.
3. Revenue gain in case of some products in the context of Partial Equilibrium: Revenue gain in case of few products is possible in the case of partial equilibrium. Eliminating a tariff leads to lower domestic prices, more imports and less domestic supply. Due to lower import prices, there could be new consumers/ increased consumption by existing consumers for a particular product arising out of trade diversion or trade creation, leading to increased imports and increased revenue gain for government. However, in most cases, there is an overall net revenue loss, which is true in the case of India – New Zealand tariff liberalisation.

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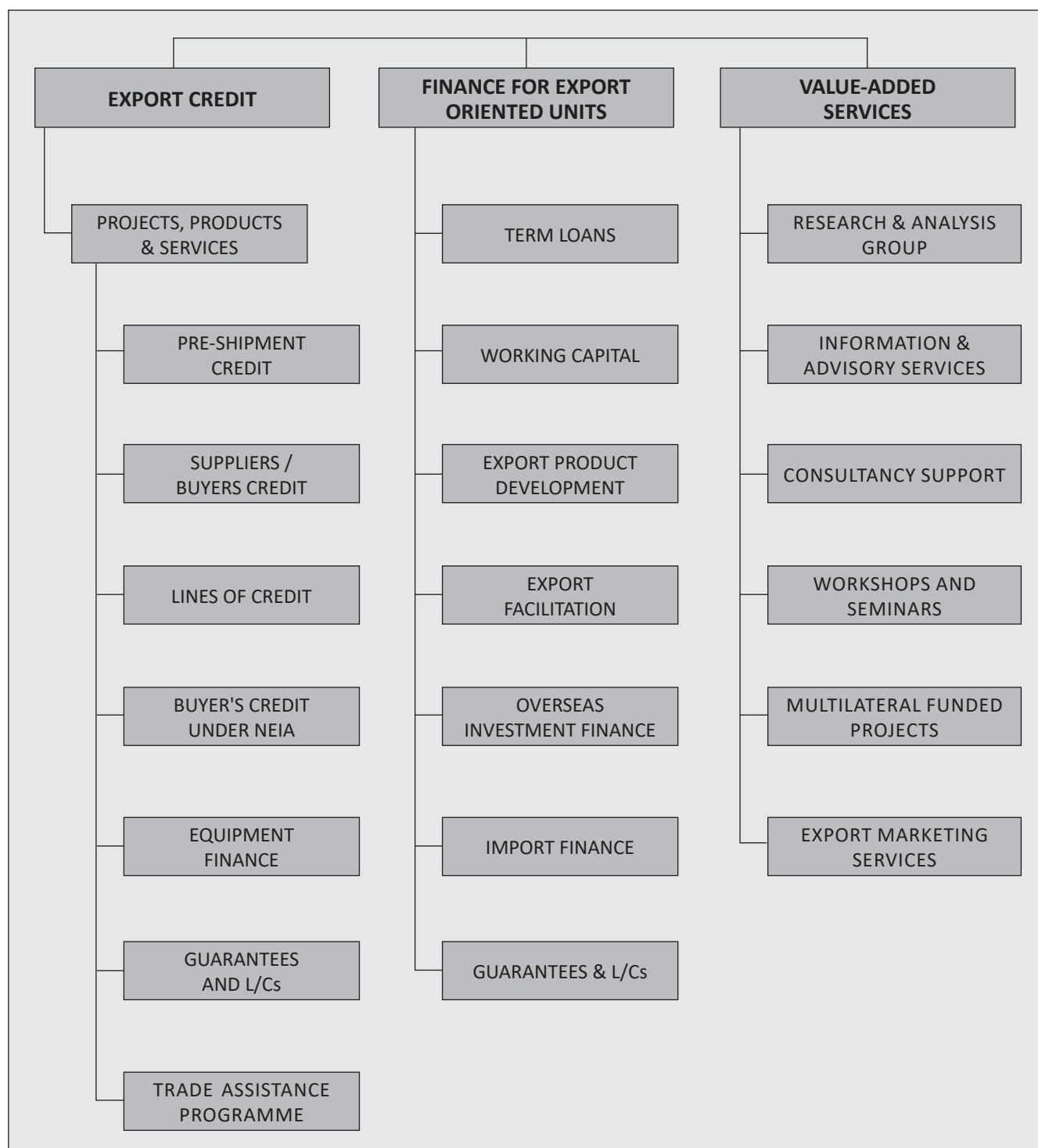
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