KAMARAJ IAS ACADEMY
Only IAS Academy by Grandson of "Perunthalaivar Kamarajar"

India–New Zealand FTA to Enter into Force on 20 October 2026, Expanding Trade, Investment, Services and Market Access

Published On: 24-09-2026

Recent Developments:

- The **India–New Zealand Free Trade Agreement (FTA)** will enter into force on **20 October 2026**, following New Zealand's passage of implementing legislation on 16 September 2026. The agreement was signed on **27 April 2026** at Bharat Mandapam, New Delhi.
- The FTA provides **zero-duty access for 100% of Indian exports** to New Zealand from the date of entry into force and is expected to strengthen India's exports, employment, MSMEs and manufacturing competitiveness.
- New Zealand has committed to facilitate **USD 20 billion of investment into India over 15 years**, covering agriculture, manufacturing, infrastructure, startups, innovation and emerging technologies.
- India and New Zealand concluded negotiations in a record **nine months**, after announcing the launch of negotiations in March 2025.

India–New Zealand Bilateral Relationship:

Historical and Economic Context:

- India and New Zealand share institutional linkages through the **Commonwealth, parliamentary democracy and people-to-people contacts**, while their economic relationship has historically remained smaller than India's engagement with several other Indo-Pacific partners.
- The FTA represents a shift towards deeper **trade, investment, services, technology and talent mobility**, complementing existing cooperation in education, sports, tourism and traditional medicine.
- Bilateral merchandise trade was around **USD 1.1 billion in 2025–26**, according to the latest PIB release. Earlier data placed bilateral trade at approximately USD 1.3 billion in 2024–25.

Trade Liberalisation and Market Access:

Goods Trade:

- New Zealand will eliminate duties on **100% of Indian exports**, creating duty-free access across all tariff lines from entry into force.
- Indian exports benefiting particularly include **textiles, apparel, leather, footwear, engineering goods, processed foods, ceramics, carpets, automobiles and auto components**.
- New Zealand previously imposed peak tariffs of up to **10%** on several Indian export categories, making tariff elimination particularly relevant for labour-intensive and manufacturing sectors.
- India has offered market access across approximately **70% of tariff lines**, covering about **95% of New Zealand's bilateral trade**, while retaining exclusions for sensitive products.

Trade in Services:

- New Zealand has provided market-access commitments across around **118 services sectors**, including IT, professional services, construction, education, tourism, telecommunications, financial services and audio-visual services.
- **Most-Favoured-Nation commitments** cover around 139 sub-sectors, helping Indian service suppliers obtain comparable treatment if New Zealand subsequently grants more favourable treatment to another FTA partner.
- The agreement strengthens opportunities for Indian professionals in a market where India has comparative strengths in **IT, business services, telecommunications, healthcare and professional services**.

Protection of Sensitive Agricultural Sectors:

India's Exclusions:

- India has retained protection for politically and economically sensitive agricultural sectors, particularly **dairy and selected farm products**.
- Major exclusions include **milk, cream, cheese, yoghurt, whey, caseins, onions, sugar, spices, edible oils, almonds, chickpeas and peas**, among other sensitive products.
- India has therefore combined export liberalisation in manufacturing and labour-intensive sectors with continued protection of vulnerable domestic agricultural segments.
- This approach reflects the importance of **food security, farmer livelihoods, rural employment and domestic agricultural competitiveness** in India's FTA negotiations.

Agricultural Productivity Partnership:

- The FTA establishes an **Agricultural Productivity Partnership** to combine New Zealand's agricultural technology and expertise with India's production scale and domestic market.
- Cooperation includes productivity enhancement and knowledge transfer, with areas such as **kiwifruit, apples and Manuka honey** identified for agricultural collaboration.
- The framework can support technology transfer and productivity improvements rather than treating agricultural relations solely as a question of import competition.

Investment Commitments and Manufacturing:

USD 20 Billion Investment Commitment:

- New Zealand has committed to facilitate **USD 20 billion of investment into India over 15 years**, strengthening long-term economic cooperation.
- The investment framework covers **agriculture, manufacturing, infrastructure, startups, innovation, renewable energy, digital services and emerging technologies**.
- A **rebalancing clause** provides a mechanism to address potential shortfalls in investment delivery, strengthening the implementation framework.

Manufacturing and Supply Chains:

- The agreement provides duty-free access to selected **manufacturing inputs**, including wooden logs, coking coal and metal waste and scrap, which can reduce input costs for Indian industries.
- Greater investment and technology flows can support **domestic manufacturing, global value-chain integration and export competitiveness**.
- The agreement also creates opportunities for New Zealand firms to invest in India and participate in manufacturing and infrastructure projects serving both Indian and global markets.

MSMEs, Employment and Artisans:

Labour-Intensive Sectors:

- Zero-duty access is expected to improve the competitiveness of Indian **MSMEs, exporters, artisans and labour-intensive industries**.
- Sectors such as **textiles, apparel, leather, footwear, gems and jewellery, engineering goods and processed food** are particularly relevant for employment generation and export diversification.
- Lower tariffs can reduce the price disadvantage faced by Indian exporters competing with suppliers from countries already enjoying preferential access to New Zealand.

Mobility, Education and People-to-People Ties:

Skilled Professionals and Students:

- The FTA expands mobility opportunities for Indian professionals through a dedicated quota of **5,000 Temporary Employment Entry visas**.
- It also provides **1,000 Working Holiday visas annually** for young Indians, strengthening youth mobility and people-to-people contacts.
- Indian students receive enhanced post-study work opportunities, including up to **three years for STEM graduates** and up to **four years for doctoral scholars**.
- These provisions link trade in services with **human-capital mobility, skill development and international employment opportunities**.

Pharmaceuticals and Medical Devices:

Regulatory Facilitation:

- The agreement facilitates market entry for Indian **pharmaceutical and medical-device exporters** by enabling acceptance of inspection-related approvals from trusted regulators such as the **US FDA, EMA, UK MHRA and Health Canada**, subject to the agreement's regulatory framework.
- Recognition of comparable regulatory assessments can reduce **duplicative inspections, compliance costs and approval delays**, thereby improving export competitiveness.

Strategic and Economic Significance:

For India's Export Competitiveness:

- Duty-free access can strengthen Indian export performance in **textiles, leather, footwear, engineering goods, processed food, ceramics, carpets and auto components**.
- The agreement can support export diversification by expanding India's preferential access in the **Oceania and wider Pacific economic space**.

For India's FTA Strategy:

- The agreement reflects India's broader strategy of securing **preferential market access while retaining policy space for sensitive sectors**.
- It demonstrates a differentiated negotiating approach in which manufactured and labour-intensive exports receive greater liberalisation while politically sensitive agricultural products remain protected.
- The FTA also complements India's wider engagement with developed economies through recent and ongoing trade negotiations, including with the **European Union, Chile and other partners**.

For Global Value Chains:

- Investment, technology transfer, duty-free inputs and services liberalisation can help India strengthen its participation in **global value chains (GVCs)**.

- The agreement can support the integration of Indian MSMEs into international production networks through improved market access and investment linkages.

Challenges and Issues:

Implementation and Utilisation:

- The economic gains will depend on the ability of Indian firms, particularly MSMEs, to utilise preferential access rather than merely having tariffs removed.
- **Rules of origin, standards, certification, logistics, market information and compliance costs** can determine the actual value of tariff concessions.
- The USD 20 billion investment commitment is spread over **15 years**, so its economic impact will depend on actual investment flows, sectoral distribution and implementation.

Agricultural and Domestic Industry Concerns:

- Although India has excluded major sensitive agricultural products, increased competition in liberalised product categories may still require improvements in **farm productivity, quality standards and supply-chain efficiency**.
- The long-term challenge is to combine trade openness with **domestic productive capacity and employment protection**.

Value Addition for UPSC:

Key Concepts:

- **Free Trade Agreement (FTA):** A bilateral or plurilateral trade arrangement that reduces or eliminates tariffs and other trade barriers among participating economies.
- **Tariff Line:** A specific classification of goods under a country's customs tariff schedule; commitments are often expressed as the percentage of tariff lines liberalised.
- **Most-Favoured-Nation (MFN) Treatment:** A principle under which a trading partner receives treatment no less favourable than that provided to another comparable trading partner, subject to the applicable agreement.
- **Rules of Origin:** Criteria used to determine the economic nationality of a product for applying preferential tariff treatment.
- **Trade in Services:** International supply of services through modes recognised under the WTO framework, including cross-border supply and movement of natural persons.

UPSC GS Linkages:

- **GS-II:** India's bilateral relations, international institutions, trade diplomacy and diaspora.
- **GS-III:** Foreign trade, FDI, MSMEs, manufacturing, agricultural productivity, global value chains and employment.
- **Essay:** Balancing trade liberalisation with domestic economic resilience and strategic policy space.
- **Prelims Focus:** FTA, tariff lines, MFN treatment, rules of origin, investment commitments, services trade and sensitive-sector exclusions.

Important Data Points:

- **27 April 2026:** India–New Zealand FTA signed.
- **20 October 2026:** FTA scheduled to enter into force.
- **100%:** Indian exports receiving zero-duty access in New Zealand.
- **95%:** New Zealand's bilateral trade covered by India's market-access commitments.
- **USD 20 billion:** New Zealand's investment commitment over 15 years.
- **118 sectors:** Approximate services-sector market access provided by New Zealand.

- **5,000:** Dedicated Temporary Employment Entry visa quota for Indian professionals.
- **1,000 annually:** Working Holiday visas for young Indians.
- **9 months:** Approximate time taken to conclude FTA negotiations.