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EDITORIAL ANALYSIS

India's New Zealand Moment — The FTA India Should Have Signed Ten Years Ago

THE HINDU

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THE EDITORIAL ARGUMENT

The India-New Zealand Free Trade Agreement signed on April 27, 2026 will generate predictable praise for its scope and predictable criticism for its dairy exclusion. Both reactions will miss the more important question: what does this agreement tell us about where India's trade diplomacy is heading — and why did it take this long to get here?

WHAT THE AGREEMENT GETS RIGHT

The India-NZ FTA is the most sophisticated bilateral trade agreement India has signed in over a decade. It is not merely a goods schedule — the kind of tariff-liberalisation exercise that India has signed (and largely failed to benefit from) in agreements with ASEAN, Japan, and South Korea. The 20-chapter structure addresses the full architecture of modern trade: services, investment, labour mobility, digital trade, sanitary and phytosanitary standards, and — most unusually — a dedicated annexe on health and traditional medicine.

The **100% duty-free access** for India's goods to New Zealand matters. It is not the volume of trade (India-NZ bilateral trade is modest at approximately \$2.5 billion) but the precedent — a developed country OECD member committed to opening its entire goods market to India without carve-outs for sensitive manufacturing. This matters for the ongoing India-EU and India-UK FTA negotiations, where India is pressing for similar access.

The **5,000 annual work visas** for Indian professionals are significant in a different way. India has been unable to fully monetise its services trade surplus because developed countries treat labour mobility as immigration policy, not trade policy. The India-NZ FTA treats mobility as a trade concession — setting a template that India can use in future negotiations.

THE AYUSH ANNEXE — MORE THAN SYMBOLISM

The dedicated annexe on health and traditional medicine is genuinely innovative. It is the first time New Zealand has included such a provision in any trade agreement — creating a regulatory pathway for Ayurveda practitioners, yoga instructors, and Indian wellness professionals to access a regulated English-speaking market.

This matters beyond commerce. India has been pushing AYUSH recognition internationally since the establishment of the Ministry of AYUSH in 2014. The WHO's adoption of a Traditional Medicine chapter in its International Classification of Diseases (ICD-11) was one milestone. An FTA-level recognition by an OECD member is a different order of legitimacy — one that can be cited in negotiations with the UK, Canada, and the EU.

There is also a hard commercial logic. Global wellness tourism is a \$900+ billion industry. India has the intellectual property (Ayurveda, yoga, Siddha, Sowa Rigpa), the practitioners, and the training institutions. What it has lacked is a regulatory framework that lets its practitioners access developed-country markets without facing informal barriers. The NZ annexe is a door; India must now push through it.

THE DAIRY QUESTION — A DEFENSIBLE RED LINE

Critics will note that India excluded dairy entirely — milk, cream, whey, yoghurt, and cheese — to protect its 8 crore dairy farmers. New Zealand, one of the world's most competitive dairy exporters, understandably wanted access.

The exclusion is defensible. India's smallholder dairy economy is a welfare system as much as it is an industry. The approximately 8 crore farmers who depend on milk income would face severe income disruption from liberalisation with New Zealand's industrial dairy sector. The social cost would far exceed the economic benefit.

But there is a cost to this exclusion. The dairy carve-out will reappear in every future FTA negotiation with Australia, the EU, and the UK. India will eventually need a more sophisticated answer than blanket protection — perhaps phased access with safeguard triggers, or **segregation** of processed vs. liquid dairy. The current approach defers a difficult conversation rather than resolving it.

THE LARGER QUESTION: WHY DID THIS TAKE SO LONG?

New Zealand proposed FTA negotiations with India in 2010. They stalled on — dairy. Talks resumed in 2022 and concluded in 2025, with signing in April 2026. Sixteen years.

India's FTA track record with developed countries is poor. The India-EU FTA has been under negotiation since 2007 — 19 years and counting. The India-UK ECTA (2022) was signed after Brexit changed the UK's incentives, not because India's position evolved. The India-NZ FTA took sixteen years.

The problem is not India’s negotiating capacity — Indian trade negotiators are skilled. The problem is political economy: the Ministries of Agriculture, Finance, and Commerce have different constituencies, and FTA negotiations require painful tradeoffs across those constituencies. India has historically preferred to avoid those tradeoffs by either not signing or signing hollow agreements.

The India-NZ FTA, if it delivers on its services and mobility provisions, will be evidence that India has learned to make those tradeoffs. The next test is the India-EU FTA, where the stakes — and the dairy fight — are vastly larger.

UPSC RELEVANCE

PAPER	ANGLE
GS2 — IR	India’s FTA strategy; bilateral trade negotiations; AYUSH diplomacy
GS3 — Economy	Trade in services vs goods; labour mobility; FTA gains and losses
GS2 — Governance	Trade policy; Ministry of Commerce; negotiating capacity

Mains Keywords: India-NZ FTA, free trade agreement, AYUSH annexe, dairy exclusion, labour mobility, services trade, 100% duty-free, India-EU FTA, FTA negotiations, trade in services

Prelims Facts Corner

ITEM	FACT
India-NZ FTA signed	April 27, 2026
Chapters	20
India export access	100% duty-free to NZ
Work visas	5,000/year; up to 3 years
Working holiday visas	1,000/year
FDI target	\$20 billion over 15 years
Trade target	\$5 billion in 5 years
Dairy	Excluded from India’s concessions
AYUSH annexe	First in any NZ FTA
NZ proposed FTA year	2010; concluded 2025; signed 2026

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