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India and New Zealand Advance a Free Trade Agreement

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WHY IN NEWS

India and New Zealand are advancing their Free Trade Agreement (FTA), signed in April 2026, toward ratification and entry into force, with both sides working to expand market access while India safeguards its sensitive dairy and agriculture sectors.

THE INDIA TO NEW ZEALAND TRADE RELATIONSHIP

A **Free Trade Agreement (FTA)** is a treaty between two or more countries to reduce or eliminate tariffs, quotas and other barriers to trade in goods and services, while also addressing investment, services and regulatory cooperation.

Bilateral (<https://ujjyari.com/vocab/bilateral/>) merchandise trade between India and New Zealand has been modest but growing. It rose sharply in **FY 2024-25 to about US\$1.3 billion**. The FTA seeks to expand market access, attract investment, deepen regulatory cooperation and improve supply-chain efficiency between the two economies.

ASPECT	DETAIL
Merchandise trade (FY 2024-25)	About US\$1.3 billion
Indian exports to NZ	Pharmaceuticals, textiles and garments, machinery, gems and jewellery
NZ exports to India	Wool, wood, fruits, and (a sensitive area) dairy products
Sensitive sector for India	Dairy, kept out of tariff concessions

WHY DAIRY IS THE STICKING POINT

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New Zealand is one of the world’s largest and most competitive dairy exporters. India, by contrast, is the world’s largest milk producer, but its dairy economy rests on tens of millions of small and marginal farmers for whom dairy is a critical, often primary, source of income.

Opening the Indian market to duty-free New Zealand dairy could depress domestic prices and harm rural livelihoods. India has therefore followed a **calibrated** (<https://ujjiyari.com/vocab/calibrated/>) **approach**, keeping dairy and other sensitive agricultural products outside the scope of tariff cuts. This protective stance on dairy is consistent with India’s position across its trade negotiations, including its earlier reservations within the Regional Comprehensive Economic Partnership (RCEP).

INDIA’S BROADER FTA STRATEGY

The New Zealand agreement is part of a wider Indian push to sign deep trade pacts with trusted partners while shielding agriculture and dairy.

AGREEMENT	PARTNER	YEAR
CEPA	United Arab Emirates	2022
ECTA	Australia	2022
TEPA	EFTA (Iceland, Liechtenstein, Norway, Switzerland)	2024
FTA	United Kingdom	recent
FTA	New Zealand	2026

(CEPA: Comprehensive Economic Partnership Agreement; ECTA: Economic Cooperation and Trade Agreement; TEPA: Trade and Economic Partnership Agreement; EFTA: European Free Trade Association.)

THE STRATEGIC DIMENSION

The relationship is not purely commercial. New Zealand is a member of the **Five Eyes** intelligence-sharing alliance (with the United States, United Kingdom, Canada and Australia) and an **Indo-Pacific** partner. Closer trade ties complement India’s strategy of building resilient, trusted economic and security partnerships in the Indo-Pacific and diversifying supply chains away from over-dependence on any single economy.

ANALYSIS AND WAY FORWARD

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The India to New Zealand FTA shows India's maturing trade diplomacy: pursuing ambitious market access and investment while drawing firm red lines around dairy and farm interests. The pact can boost Indian exports of pharmaceuticals, textiles and processed goods and channel New Zealand investment into manufacturing under Make in India.

The way forward lies in swift ratification and effective implementation, building robust dispute-settlement and rules-of-origin systems, helping Indian exporters meet New Zealand's quality and sanitary standards, and ensuring that calibrated protection of dairy is paired with investment in dairy productivity so that Indian farmers become globally competitive over time.

UPSC RELEVANCE

GS Paper 2: Bilateral, regional and global groupings and agreements involving India and affecting India's interests; effect of policies of developed and developing countries on India's interests.

GS Paper 3: Effects of liberalisation on the economy; changes in industrial policy; external sector and trade; issues related to agriculture and protection of farmers' interests.

Prelims pointers: India to New Zealand bilateral merchandise trade about US\$1.3 billion in FY 2024-25; dairy kept out of tariff concessions; Five Eyes members (US, UK, Canada, Australia, New Zealand); India's FTAs and their acronyms (UAE CEPA 2022, Australia ECTA 2022, EFTA TEPA 2024, UK FTA, New Zealand FTA 2026).

Mains question: "India's recent Free Trade Agreements reflect a calibrated balance between market opening and the protection of agriculture and dairy. Critically examine, with reference to the India to New Zealand FTA." (15 marks, 250 words)

FACTS CORNER

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FTA: A Free Trade Agreement reduces or removes tariffs and trade barriers between partner countries.

India to New Zealand trade: About US\$1.3 billion in merchandise in FY 2024-25.

Dairy: Kept outside tariff concessions; India protects its small dairy farmers and is the world's largest milk producer.

Five Eyes: Intelligence alliance of the US, UK, Canada, Australia and New Zealand.

India's FTA family: UAE CEPA (2022), Australia ECTA (2022), EFTA TEPA (2024), UK FTA, New Zealand FTA (2026).

EFTA: European Free Trade Association (Iceland, Liechtenstein, Norway, Switzerland).

Calibrated approach: India pursues market access while protecting agriculture, dairy and sensitive sectors.

Sources: Ministry of Commerce and Industry (<https://commerce.gov.in>), Ministry of External Affairs (<https://www.mea.gov.in>), The Hindu (<https://www.thehindu.com>)

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