



Achintya Securities Limited

Bridging the Pacific:

A Deep Dive into the India-New Zealand FTA 2025



Introduction

December 22, 2025, marked a pivotal moment in Indo-Pacific economic relations. Prime Minister Narendra Modi and New Zealand Prime Minister Christopher Luxon announced the successful conclusion of the India-New Zealand Free Trade Agreement (FTA).

While political and cultural ties between the two nations have always been warm—anchored by shared democratic values and a 250,000-strong Indian diaspora—economic engagement had historically lagged. This agreement, negotiated in a record-breaking nine months (March to December 2025), aims to correct that imbalance.

Below is a comprehensive breakdown of the deal, its novel provisions, and what it means for the economy and investors.



Strategic Context: Why the Rush?

The speed of this agreement is an anomaly in the world of trade diplomacy, where deals often take years. Three major geopolitical factors drove this acceleration:

- **India's Export Ambition:** With India pushing hard to reach its \$1 trillion export target by 2030, the country needs to diversify beyond traditional Western markets. This FTA acts as a strategic "Gateway to Oceania," opening doors not just to New Zealand, but potentially to the wider Pacific Island markets.
- **New Zealand's Diversification:** New Zealand has been actively seeking to reduce its economic reliance on China (which traditionally accounts for ~30% of its exports). Strengthening ties with India provides a necessary hedge and access to the world's most populous market.
- **Trump's Tariff policy:** Global uncertainties like Donald Trump's proposed universal tariffs, which threaten to disrupt traditional trade flows and increase costs for Indian exporters in the US, this FTA serves as a critical strategic hedge. By securing zero-duty access to New Zealand, India effectively diversifies its market dependence, ensuring its \$1 trillion export ambition remains resilient.



Key Provisions: Tariffs and Market Access

The core of the FTA lies in its tariff liberalization, which is significantly asymmetrical in India's favor to protect sensitive domestic interests.

The "Zero-Duty" Advantage

- **For Indian Exporters:** India has secured zero-duty access on 100% of its tariff lines into New Zealand. This is a massive win for cost-competitiveness, particularly for manufactured goods which previously faced tariffs averaging around 5%.
- **For New Zealand Exporters:** India has offered duty-free entry on 57% of tariff lines immediately, eventually scaling up to 95% over a phased timeline.
- **Sensitive Sectors Protected:** Crucially, India has successfully shielded its "sensitive list." This includes the dairy sector (protecting 150 million Indian dairy farmers), as well as agriculture staples like onions and sugar. New Zealand dairy imports will be subject to strict quotas or exclusions, preventing a flood of foreign milk products.



The Investment Pillar : A Novel "Clawback" Mechanism

One of the most unique and aggressive aspects of this FTA is the investment commitment. Unlike traditional trade deals that focus solely on goods, this agreement ties market access to direct financial investment.

- **The \$20 Billion Pledge:** New Zealand has committed to investing \$20 billion in India over the next 15 years (by 2040 and beyond). This Foreign Direct Investment (FDI) is targeted across 118 sectors, including infrastructure, renewable energy, agri-tech, and high-value manufacturing.
- **The "Clawback" Clause:** To ensure this isn't just an empty promise, the deal includes a "clawback" mechanism. If New Zealand fails to meet these investment targets (e.g., falling below an 80% threshold), India reserves the right to suspend tariff benefits.
- **Oversight:** A dedicated oversight committee will monitor FDI progress biannually, ensuring accountability—a structural novelty compared to India's previous FTAs with Australia or the UAE.



Sectoral Analysis: Winners and Opportunities

The deal is expected to benefit specific sectors differently. Here is a breakdown of the projected impact:

Sector	Impact for India	Details & Projections
Textiles & Leather	High Gain	These labour-intensive sectors will see immediate duty elimination. Industry estimates suggest exports could rise by 30-50% within 3 years, capturing a share of New Zealand's \$5 billion apparel market.
Pharmaceuticals	High Gain	As India's top export to NZ (holding ~35-40% share), the removal of tariffs will consolidate India's dominance in generics and biologicals against competitors like China.
Agriculture	Moderate Gain	Indian farmers gain access for fruits, vegetables, spices, and coffee. However, strict biosecurity standards in NZ remain a non-tariff barrier.
Services & IT	Strategic Gain	Enhanced mobility for professionals. IT and Engineering firms will find it easier to deploy staff for on-site projects in Auckland and Wellington.
Gem & Jewellery	Moderate Gain	Duty-free access allows Indian artisans to export high value handcrafted jewellery, a segment New Zealand currently imports heavily from elsewhere.

Mobility and Workforce: Beyond Goods

Modern FTAs are as much about people as they are about products. The India-NZ deal includes progressive mobility accords:

- **Student Work Rights:** Indian students in New Zealand will be allowed to work up to 20 hours per week during their studies
- **STEM Graduates:** The deal offers extended post-study work visas for graduates in Science, Technology, Engineering, and Mathematics (STEM), facilitating knowledge transfer.
- **Cultural Visas:** A unique category has been created for Ayurveda practitioners and Yoga instructors, formally recognizing India's traditional wellness systems as exportable services.



Trade Statistics: The Numbers Game

Trade between the two nations has been growing but remains below potential. The FTA aims to double bilateral trade within five years, with optimistic models suggesting a quadrupling to ~\$9.6 billion.

Current Trade Snapshot (FY25):

- **India Exports to New Zealand:** \$711.1 million
 - *Top Items:* Pharmaceuticals, motor vehicles, cotton fabrics, petroleum products.
- **India Imports New Zealand:** \$587.1 million
 - *Top Items:* Fresh fruits (Kiwi/Apples), wood/pulp, raw wool, coal.
- **Balance of Trade:** Currently in India's Favor, a trend expected to widen as manufactured exports surge.



Investor Outlook: Signals for the Stock Market

For investors wondering if this is a "buy" signal, the answer requires nuance. The stock market impact will likely be long-term rather than an immediate spike.

Watchlist for Investors:

- **Pharmaceuticals:** Companies with existing regulatory approvals in Oceania (e.g., Zydus, Cipla, Dr. Reddy's) stand to gain margin improvements.
- **Textiles:** Large exporters (e.g., Raymond, Welspun) could see volume growth as they become more price-competitive against Bangladeshi or Vietnamese rivals in the NZ market
- **Agri-Machinery:** With New Zealand investing in Agri-tech in India, companies like Mahindra & Mahindra (farm equipment) could see partnership opportunities.

Caution: Investors should note that trade deals have a lag period (12-24 months) before reflecting on balance sheets. The "Clawback" clause also introduces a risk: if investment targets aren't met, tariff privileges could be revoked, leading to policy volatility.

Conclusion: The Road Ahead

The India-New Zealand FTA is a carefully crafted template for modern trade diplomacy—balancing aggressive export ambitions with fierce domestic protectionism.

While challenges remain—specifically regarding New Zealand's high non-tariff barriers (phytosanitary norms) and logistics costs—the deal positions India to better integrate into global value chains. By locking in \$20 billion in investment and securing a gateway to the Pacific, India has made a strategic move that goes well beyond simple import-export arithmetic. The success of this deal will ultimately depend on Indian exporters improving product quality to meet New Zealand's stringent standards and the effective enforcement of the investment promises.





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