

New Zealand-India FTA – Background information

New Zealand and India agreed to undertake a joint study into the implications of a free trade agreement in 2007. The objectives of the study, which was conducted by a Joint Study Group of officials from both countries, were to review the bilateral relationship, identify the strategic and economic benefits that can be derived from a CECA/FTA, and discuss the issues that would need to be included in an FTA negotiation. The recommendations and conclusions of that study have been approved by the New Zealand and Indian governments and negotiations are expected to commence in April 2010.

Key elements of the current bilateral trade relationship are as follows:

- Historically the bilateral merchandise trading relationship between India and New Zealand has been under-developed. But recent trading performance has highlighted the growing opportunities.
- Improved market access, as a result of a CECA/FTA, will help support this growing trade relationship.
- For the year ending June 2009, India was New Zealand's 13th largest export destination, up from our 23rd largest export destination the previous year. It was also New Zealand's 24th largest overall trading partner, with bilateral trade valued at over NZ\$1 billion for the first time last year.
- New Zealand's key exports are in coal, unprocessed logs, wool, scrap aluminium, and sheep skin leather. These products currently account for around 80% of New Zealand's exports to India.
- A growing Indian market offers considerable scope for New Zealand exporters. Indian processors are demanding raw materials and intermediate products and India's growing middle class is demanding goods and services.
- New Zealand's exports of coal and logs have grown rapidly since 2005 – at an average rate of 89% and 42% per year respectively. These will continue to be important products in the trading relationship, particularly given our supply strengths in these areas.
- India is also an increasingly important source of imports for New Zealand. Recent growth has been strong. Our imports from India have doubled over the last decade to reach over \$322 million. India is New Zealand's largest source of diamonds; its 5th largest source of jewellery; and its 3rd largest source of bed linen.

- Trade in services is another area where the India-New Zealand relationship is displaying strong growth. The education relationship has been growing steadily. Since 2003 the number of Indian students studying in New Zealand has increased from approximately 800 students to over 6,000. India is now an important and growing source of international students to New Zealand, with their number projected to surpass 7,000 in 2010.
- Tourist numbers have also been growing strongly in both directions. In 2008 the number of Indian visitors to New Zealand was just under 24,000. This represented a 261 per cent increase over the 10 year period from 1999. New Zealanders visiting India in the 2008 year numbered around 27,500. This was an increase of over 300 percent since 1999.
- While the tourism and education sectors are significant contributors to the bilateral trade in services, and have exhibited strong growth, trade in other services sectors is also growing. Areas of interest include a wide range of professional and business services, environmental services and transport services.