

OCTOBER 2018

## SUMMARY

### AUTHORS

Dr. Rahul Sen

Dr. Ashok Sharma

Sunil Kaushal

### VIDEOS

H. E. Sanjiv Kohli

Som Mittal

- Dr Ashok Sharma shares his insights into the Geopolitics of India/New Zealand and the potential areas of growth.
- Dr Rahul Sen provides in-depth analysis into the NZ India Trade data as India continues to be the 7<sup>th</sup> largest export destination and 13<sup>th</sup> largest import source for New Zealand's total exports and imports of goods and services respectively.
- Sunil Kaushal writes about the continuing growth of India in the last 4 years under the Modi Government.
- Dr Rahul Sen looks into the benefits of RCEP in the absence of FTA between NZ & India.

## NEW ZEALAND INDIA - TAPPING THE POTENTIAL

Freed from the ideological baggage of the Cold War and India's growing economy since its embarkment on economic liberalisation have seen an expanding foreign policy. Some of the striking features of India's expanding foreign policy in the post-Cold War has been its closeness to the US-led political west and its eastward expansion. <sup>1</sup> The eastward economic and foreign engagement was pursued under the Look east which is being pursued proactively under the Modi Government under the "Act East". In the pursuit of its eastward engagement, India has enhanced its relationship with New Zealand too. The official visits of politicians and bureaucrats Track II dialogues, people to people contact, cricketing ties and bilateral trade have facilitated the India-New Zealand ties. However, India's growing economic engagement with New Zealand is nowhere near its potential. Also, the underpinning factors for New Zealand-India relation is not just based on economic convergence but include growing people-to-people interaction, common political values, commonwealth legacy and converging strategic and security interest in the Indo-Pacific. In fact, India and New Zealand can forge a sound comprehensive bilateral relationship not only on the economic front but also in the realm of the emerging security challenges and collaborate on the converging points of security interests in the evolving strategic geometry in the Indo-Pacific region.

---

*There continue to be constraining factors such as the agricultural tariff issues, India as the too hard business destination and New Zealand's reluctance to look beyond China. But, India's massive scale and the IMF projection of its arrival as the largest economy in the latter half of the 21st century should be enough to encourage proactive economic and foreign engagement of India on New Zealand front. Both the nations offer immense complementariness and synergies across a wide range of sectors.*

---

### Engaging the Indian Diaspora:

At the outset, a more serious commitment to understanding the business environment in India is needed in which the Indian community in New Zealand has a significant role to play. Despite shared values and the Commonwealth legacy, and complementariness between the two economies, New Zealand-India economic relations are yet to reach anywhere near its potential. One of the major hurdles could be the perception of doing business in India. The unease about doing business in India could be ameliorated by engaging the Indian diaspora in New Zealand.

The Indian community in New Zealand is the fastest growing ethnic group in New Zealand and the second largest group of New Zealand Asian with a population of around 155,178 constituting 3.7 % population of Total New Zealand population.<sup>2</sup> New Zealand's Indian diaspora, comprising both New Zealanders of Indian origin and Indians resident in New Zealand, is contributing to New Zealand's economy and adding to New Zealand's multicultural society. The facilitating role that Indian-Americans have played in transforming the

---

<sup>1</sup> Ashok Sharma, "India's Expanding Foreign Policy in the Asia Pacific Region: Implications and Prospects for the India- New Zealand Relationship", *Maritime Affairs: Journal of the National Maritime Foundation of India*, Vol. 10, Issue .1 (2014), pp. 54 -74.

<sup>2</sup> New Zealand Foreign Affairs & trade, "India", <https://www.mfat.govt.nz/en/countries-and-regions/south-asia/india/>, Accessed 11 September 2018.

# A GEOPOLITICAL GLANCE AT NZ INDIA TRADE RELATIONSHIP

Dr Ashok Sharma  
Deputy Chair, NZ Institute of International Affairs, Auckland

@ITANZINDIA 

NZIndiaTradeAlliance 

[www.linkedin.com/company/nzita](http://www.linkedin.com/company/nzita) 

NZIEU | October 2018 | Page 3 of 17

US-India relations a robust strategic partnership is exemplary. Indian Americans have actively lobbied and played a significant role in the India-US relation, pitched as the defining partnership of the 21st century. Indians in the US have played a significant role in changing the perceptions about India among the US policymakers by actively lobbying and as a bridge between the business communities of both the nations.<sup>3</sup>

## Growing Economic Ties:

Both New Zealand and India have taken important measures to enhance the two-way trade. In the past five years, services trade has almost more than doubled, to \$1.39 billion, and this has helped take the total trade (goods and services) to around \$2.7 billion. In terms of goods trade, logs, coal, wool, and fruit have been the top exports from New Zealand to India and Indian retail medicines, precious metals and jewellery, machinery, textiles, and apparel have found its way to New Zealand.

Education remains the main export of New Zealand to India. India is New Zealand's second largest source of international students, with over 29,000 Indian students studying in New Zealand in 2016. Education continues to be flagship sector will remain one of the important components of India-NZ relations. The scale of the lack of educational institutions in India is massive and the requirement for education and training is linked to almost every sector of the Indian economy. India faces the challenges of training and skilling its 400 million young people.<sup>4</sup> The lack of deficit in quality and quantity extends to vocational training and technical colleges. In recent years, the Indian government has addressed this issue through international collaboration. New Zealand is already an important education destination for vocational education for Indian students and this presents a bright future in for India-New Zealand relations.

The New Zealand-India economic relations has the potential to expand in a range of sectors. The progress on NZ-India free trade agreement, launched in 2010 and last formal negotiations in February 2015, has not been made to the next stage, though both the nations are trying to reach on a common ground. Agribusiness may take some time as the difficulties encountered in progressing New Zealand -India free trade agreement because of the lack of appetite by the Indian agriculture sector to meet New Zealand demands concessions on tariffs. During former Prime Minister John Key's visit to India in October 2016, he and Indian Prime Minister Narendra Modi committed to continuing to work towards a high-quality, comprehensive and balanced bilateral Free Trade Agreement, which would deliver meaningful commercial outcomes to both sides. Currently, New Zealand and India are collaborating and negotiating their trade relations through the platform of the Regional Comprehensive Economic Partnership (RCEP).

In fact, there is immense scope for New Zealand to tap India's vast market for consumer products and services, particularly the growing middle class, market for export of raw materials and intermediate products needed by Indian manufacturers, more opportunities for New Zealand's service sector, including tourism, education, consultancy and professional services, environmental, engineering, construction, agriculture and forestry services.<sup>5</sup> New Zealand needs to elevate India in its one of the top foreign trade destinations, both

<sup>3</sup> Ashok Sharma, *Indian lobbying and its Influence in US Decision Making: Post-Cold War* (New Delhi: sage Publications, 2017)

<sup>4</sup> Peter Varghese, " [An India Economic Strategy to 2035: Navigating from Potential to Delivery](https://dfat.gov.au/geo/india/ies/index.html) " Department of Foreign Affairs & Trade, <https://dfat.gov.au/geo/india/ies/index.html>

<sup>5</sup> New Zealand Foreign Affairs & Trade, "New Zealand-India FTA", <https://www.mfat.govt.nz/en/trade/free-trade-agreements/agreements-under-negotiation/india/>, accessed on 11 September 2018.

# A GEOPOLITICAL GLANCE AT NZ INDIA TRADE RELATIONSHIP

Dr Ashok Sharma  
Deputy Chair, NZ Institute of International Affairs, Auckland

@ITANZINDIA 

NZIndiaTradeAlliance 

www.linkedin.com/company/nzita 

for outward and inward investment between India and New Zealand, trades in goods and services, and collaboration in research and innovative technologies. For New Zealand to access the Indian market, the challenge remains in the form of the technical and tariff hurdles, and certainty for investors. A focused approach from the New Zealand government and a serious and a comprehensive understanding of India's changing business environment and government functioning is required.

## Converging Strategic and Security Interests:

In the end, one must consider the potential of New Zealand -India ties on strategic issues. There are converging points for both on traditional and non-traditional security issues. Preventing the spread of Islamist fundamentalism, defeating international terrorism, climate change, and preventing nuclear proliferation in other states and terrorists. But the most important converging security issue is emerging in the Indo-Pacific region and not let China dominate the region. Amidst the rise of an assertive Chinese military posture and the US ambiguity on historical security commitments, concerned nations have been developing various units of Indo-Pacific strategy. The push from India and Australia to elevate security ties, India-Indonesia strategic partnership, a strategic triangle comprising Australia, India, and Indonesia are recent units along with the ongoing US, India and Japan trilateral defence exercise in the Indo-Pacific strategy. The re-emergence of the Quad comprising the US, India, Japan and Australia, and India becoming closer to the US-led Political West are some of emerging Indo-Pacific strategy.<sup>6</sup> The emerging trends in the Indo-Pacific strategy where the maritime democracies converge on protecting the global commons, an open free trade, free navigation, the rules-based international order and preventing domination of the region by a single country. In this context, given New Zealand's close security ties with the US and Australia makes ample scope for an enhanced partnership with India.

*[Dr Ashok Sharma](#) is the Head of South Asia Strategic, Security and State Fragile Program at National Asian Studies Centre and an Adjunct Associate Professor at the Institute for Governance & Policy Analysis at the University of Canberra, and an Adjunct Faculty at University of New South Wales Canberra at the Australian Defence Force Academy. He is also the Deputy Chair of the New Zealand Institute of International Affairs, Auckland.*



<sup>6</sup> Ashok Sharma, "Australia Poised for Enhanced Partnership with India", *The Australian Outlook*, 18 July 2018, <https://www.internationalaffairs.org.au/australianoutlook/australia-poised-for-enhanced-partnership-with-india/>

## TOTAL TRADE AND RANKING AMONG NEW ZEALAND'S TRADING PARTNERS

New Zealand's trade relationship with India has been strong and growing rapidly. As at Year ended March 2018<sup>7</sup>, India was the 7th largest export destination and 13<sup>th</sup> largest import source for New Zealand's total exports and imports of goods and services respectively. India was the 5<sup>th</sup> largest destination for New Zealand's commercial services exports after Australia, US, China and the UK, and the 16<sup>th</sup> largest import source for its commercial services imports<sup>8</sup>. Table 1 suggests that, as at year-end March 2018, India was New Zealand's 11th largest trading partner based on total trade in goods and services, with a two-way total trade valued at \$ 2.7 billion, out of which exports were worth \$ 1.9 billion.

Table 1

### New Zealand's total trade in Goods and Services

By top 10 trading partners and India

Year ended March 2018

Rank	Trading partner	Total exports	Total imports	Two-way trade	Trade balance
NZ\$(million)					
1	China, People's Republic of	15,329	11,551	26,880	3,778
2	Australia	13,852	12,086	25,938	1,766
3	European Union	8,835	13,371	22,206	-4,537
4	United States of America	8,517	8,761	17,279	-244
5	Japan	4,167	3,908	8,075	258
6	Singapore	1,615	2,977	4,591	-1,362
7	Korea, Republic of	2,122	2,285	4,407	-164
8	Thailand	1,061	2,830	3,891	-1,769
9	Malaysia	1,282	2,080	3,362	-798
10	United Arab Emirates	1,001	2,085	3,085	-1,084
<b>11</b>	<b>India</b>	<b>1,862</b>	<b>894</b>	<b>2,755</b>	<b>968</b>

Source: Compiled from Statistics New Zealand Goods and Services Trade by Country, Year end March 2018

**Table 2**  
Trends in Top 20 Goods exports of NZ to India by Industry categories (HS-2 digit)

	Value (NZ \$ mn)		Share in India's total (%)		Indian Exports as % of NZ total	
	2017	2018	2017	2018	2017	2018
All Commodity Chapters	638	707	100	100	1.4	1.3
Logs	252	249	39.5	35.2	6.1	5.2
Confidential items	113	180	17.7	25.5	7.8	9.9
Wood Pulp	41	50	6.4	7.1	5.7	5.8
Aluminium	27	38	4.2	5.4	2.8	3.3
Wool	41	36	6.4	5.1	6.7	6.5
Edible Fruit & Nuts	41	32	6.4	4.5	1.5	1.2
Albuminoidal Substances	8	13	1.3	1.8	0.7	1.1
Machinery equipment Parts	10	13	1.6	1.8	0.8	1
Respirators, Surgical Instruments Etc	9	10	1.4	1.4	1.3	1.4
Hides And Skins	16	9	2.5	1.3	4.1	2.4
Sugars And Sugar Confectionary	9	7	1.4	1	5.7	4.7
Organic Chemicals	2	7	0.3	1	0.7	4.1
Electrical Machinery and Parts	9	6	1.4	0.8	1.1	0.7
Paper & Paperboard Articles	9	5	1.4	0.7	2	1.1
Dairy Produce	5	2	0.8	0.3	0	0
Metal Scrap including Iron and Steel ingots	1	2	0.2	0.3	0.5	1
Edible Vegetables	3	2	0.5	0.3	0.7	0.5
Plastics and articles thereof	2	1	0.3	0.1	0.4	0.2
Rubber and articles thereof	0	1	0	0.1	0	2
Copper and articles thereof	1	1	0.2	0.1	1.1	1
Others	39	43	6.1	6.4		

Source : Compiled from Statistics New Zealand Infoshare database, based on data as of Year-end March 2017 and 2018.. Data is provisional for the three most recently released months, the latest release was that of March 2018.

<sup>7</sup> This report is based on data as of Year-end March 2018 as Statistics New Zealand reports this as the latest period for which data is available for goods and services by country. Although goods trade data is available in Infoshare for the latest three months, it is provisional, subject to change, and has therefore not been included in the analysis that follows.

<sup>8</sup> Australia was New Zealand's top import source for its commercial services during this period, followed by China, US, Japan and Germany.

## EXPORTS

New Zealand's exports to India have been heavily concentrated in a few product categories. **The top 5 goods exported from New Zealand to India as of Year end June 2017 constituted 78.5% of New Zealand's total exports to India.** The top commodity item of exports was Logs and Forestry products (\$ 271 million), followed by Confidential items (\$ 154 million), Wood Pulp (\$ 45 million), Wool (\$ 39 million), and Edible Fruit and Nuts (\$ 34 million) (Table 2). **In terms of change in value of exports to India as of year end March 2016, the largest increases were noted in Confidential Items (up by \$ 70 million from a year ago); followed by Wood Pulp (up by \$ 12 million) and Logs and Sugar & Sugar confectionery (both up by \$ 2 million).** The largest decreases in export values during this period were noted in exports of Machinery Equipment and parts (down by \$ 15 million), followed by Dairy Produce (down by \$ 11 million compared to a year ago), followed by Metal Scraps including Iron and Steel ingots (down by \$ 9 million).

In terms of percentage share contributions of New Zealand exports to India, the largest increases in year-end March 2017 compared to 2016 was observed in Confidential items (current share is 22 %, compared to 13% a year ago), followed by Wood Pulp (6.5% compared to 5% a year ago), and Sugars And Sugar Confectionary (1.4% compared to 1% a year ago). The largest decreases in percentage contributions to New Zealand exports to India were noted in Logs (down by 2% compared to a year ago), followed by Dairy Produce and Metal Scrap (both down by about 1.6% compared to a year ago).

**Logs and Forestry Products** (HS-44) is currently the largest individually valued commodity exported to India, with a value of \$ 271 million, constituting a share of 6.4% of total Log and Forestry Exports of New Zealand, down by 0.7% compared to a year ago.

**Confidential items** has been the second largest value of exports to India constituting a share of 9.4% of total Confidential Items Exports of New Zealand, with an export value of \$ 154 million as of year-end June 2017. While this item is retrospectively reclassified to a more meaningful category, the respondent does not disclose the type of goods exported for competitive or confidentiality reasons. The share of this in total Confidential items exports of New Zealand was down by 2.3% compared to a year ago.

**Wool** has been the third largest valued commodity worth \$ 39 million sent to India as of year-end June 2017, increasing its share to 7.1 % of total New Zealand exports of wool compared to 5 % a year ago.

**Edible Fruits and Nuts** has been the fourth largest valued of exports to India as of Year end June 2017, with \$ 18 million worth of Kiwifruit exports and \$ 15 million worth of exports of Apples, Pears and quinces. Notably, **New Zealand's exports of Kiwifruit to India increased by \$ 5 million over the same period in 2017, making it one of the drivers of New Zealand's increased Fruit exports to India in recent years.** The share of India in New Zealand's total Kiwifruit exports increased to 1.1% from 0.8% a year ago.

Other notable exports sent to India as of year ended June 2017, worth more than \$ 10 million of exports, have been Wood Pulp (\$ 45 million), Metal Scrap including Steel ingots (\$ 27 million), Aluminium (\$ 28 million), and Hides and Skins (\$ 15 million) respectively.

## IMPORTS

New Zealand's imports from India have not been highly concentrated in a few product categories compared to its exports in the past, and a similar trend continues to persist. The value of imports in terms of c.i.f. (costs, insurance, freight) has increased by \$ 63 million as at year end March 2018, compared to a year ago<sup>9</sup>. **The top 5 goods imported by New Zealand from India as of year-end March 2018 constituted about 37% of New Zealand's total imports from India.** The top commodity item of imports was Pharmaceuticals/Medications (\$ 66 million), followed by Precious Metals and Gems (\$ 64 million), Textiles (\$ 45 million), Motor Vehicles and Parts (\$ 35 each), and Machinery Equipment and Parts (\$ 34 million) (Table 3). **In terms of change in value of imports from India, the largest increases were noted in Machinery Equipment and Parts (up by \$ 13 million from a year ago); followed by Textiles (up by \$ 10 million), Mineral Fuels including Petroleum and Waste Oil (up by \$ 9 million), and Organic Chemicals and Precious Metals and Gems (both up by \$ 7 million).** The largest decreases in import values during this period were noted in imports of Pharmaceuticals (down by \$ 10 million); followed by Plastics (\$ 2 million).

In terms of percentage share contributions of New Zealand imports from India, the largest increases in year-end March 2018 compared to 2017 was observed in Machinery Equipment and Parts (current share is 5.2% compared to 3.6 % a year ago), followed by Mineral Fuels including Petroleum and Waste Oil<sup>10</sup> (current share is 1.8% compared to 0.5 % a year ago).; and in Textiles (current share is 6.9 %, compared to 5.9% a year ago). The largest decreases in percentage contributions to New Zealand imports from India was noted in Pharmaceuticals (current share is 10.1% compared to 12.9% a year ago; followed by Copper and Articles thereof (current share is 0.2% compared to 2 % a year ago)<sup>11</sup>.

**Pharmaceuticals/Medicines** is currently the largest individually valued commodity imported from India, with a value of \$ 66 million, constituting a share of 4.9% of total Pharmaceuticals/Medicines imports of New Zealand<sup>12</sup>, compared to 5.7% a year ago.

**Precious Metals and Gems** has been the second largest value of imports from India constituting a share of 17.3% of total Imports of this product category into New Zealand, compared to 13.8% a year ago.

**Textiles** has been the third largest valued imported commodity with a value of \$ 45 million, constituting a share of 12.6% of total Textile imports of New Zealand, compared to 10.1% a year ago. **Bed linen, table linen, toilet linen and kitchen linen constituted the bulk of New Zealand's textile imports from India..**

**Motor Vehicles** has been the fourth largest valued imports from India, although its share in New Zealand's imports of Motor Vehicles is only 0.4%.

Other notable imports sourced from India in the past year (from April to March 2018 year-on year), worth at least \$ 10 million of imports, have been Machinery Equipment and Parts (\$ 34 million); Non-Knitted Apparel and Machinery Equipment and Parts (\$ 28 million each); Electrical Machinery and Parts (\$ 24 million) ; Organic Chemicals (\$ 22 million); Plastics and Articles made of Leather including Handbags etc. (\$ 18 million each; Knitted Apparel & Accessories (\$ 17 million); Rubber and Articles thereof (\$ 15 million); Carpets and Floor and Coverings (\$13 million); Iron and Steel Articles and Mineral Fuels including HS2710

(\$12 million each); Footwear and Parts, (\$ 11 million), Coffee, Tea and Spices, Tanning & Dye extracts, Cereals & Furniture items (each worth \$ 10 million) respectively.

Overall, the import basket from India showed some significant changes in composition compared to last year, in terms of increasing share of Mineral Fuel (HS2710) imports and that of Precious metals, Gems, while that of Pharmaceuticals, and Copper Articles were on a decline.

**Table 3**  
**Trends in Top 20 Goods imports of NZ from India by industry categories (HS-2 digit)**

Description	Value (NZ \$ mn)		Share in India's total (%)		Indian Imports as % of NZ total	
	2017	2018	2017	2018	2017	2018
Total of all goods	590	653	100	100	1.1	1.1
Pharmaceuticals/Medications	76	66	12.9	10.1	5.7	4.9
Precious Metal and Gems	57	64	9.7	9.8	13.8	17.3
Textiles	35	45	5.9	6.9	10.1	12.6
Motor Vehicles	34	35	5.8	5.4	0.4	0.4
Machinery Etc.; Parts	21	34	3.6	5.2	0.3	0.4
Non-Knitted Apparel And Accessories,	27	28	4.6	4.3	3.6	3.6
Electric Machinery & Parts	20	24	3.4	3.7	0.5	0.5
Organic Chemicals	15	22	2.5	3.4	3.7	4.7
Plastics and articles thereof	20	18	3.4	2.8	1	0.8
Leather Articles; Saddlery Handbags Etc;	16	18	2.7	2.8	6.8	7.1
Knitted Apparel And Accessories	16	17	2.7	2.6	2.1	2.2
Rubber and articles thereof	12	15	2	2.3	1.9	2.2
Carpets And Floor Coverings	10	13	1.7	2	6.6	8.8
Articles Of Iron Or Steel	10	12	1.7	1.8	1	1.1
Mineral Fuels including Petroleum and Waste Oil	3	12	0.5	1.8	0.1	0.2
Footwear, And Parts Thereof	10	11	1.7	1.7	2.5	2.8
Coffee, Tea, & Spices	10	10	1.7	1.5	6.2	5.9
Cereals	9	10	1.5	1.5	3.8	3.1
Tanning & Dye extracts	10	10	1.7	1.5	3	2.7
Furniture	10	10	1.7	1.5	0.9	0.8
Others	169	179	30	27.4		

Source : Compiled from Statistics New Zealand Infoshare database, based on data as of Year end March 2017 and March 2018.

<sup>9</sup> Based on the provisional data as of year-end June 2018, this increase was about \$ 65 million. This is not the actual data, and maybe subject to change in the future.

<sup>10</sup> The increase was largely due to imports of Petroleum oils and oils from bituminous minerals, not crude; preparations n.e.c, containing by weight 70% or more of petroleum oils or oils from bituminous minerals; these being the basic constituents of the preparations; waste oils (HS2710).

<sup>11</sup> Based on the provisional data as of Year-end June 2018, the value of imports of Copper and Articles thereof from India has declined from \$ 8 to \$ 2 million, compared to a year ago.

<sup>12</sup> Based on the provisional data as of Year-end June 2018, the value of imports of Pharmaceuticals from India has declined from \$ 70 to \$ 68 million, compared to a year ago.

## TRADE IN COMMERCIAL SERVICES

Exports of Commercial Services increased by \$ 90 million from \$ 1093 million to \$ 1183 million over March 2017-2018. In contrast, Imports of Commercial Services increased during the same period by only \$ 12 million from \$ 258 million to \$ 270 million.

On the Export side, 96% of commercial services exports to India have been Travel related, with 78% of total commercial services exports being accounted for by Education related travel, whose share decreased by 1.2% in year-end March 2018 compared to a year ago. Other Personal Travel related services increased its share to 16.7% during this period. Transportation Service exports increased by \$ 11 million, while Business Travel Service exports were also up by \$ 4 million, during this period.

This suggests that bilateral service exports expansion between the two countries has been led by Education related travel services in recent years, and continues to be heavily skewed in favour of it as of the first quarter of 2018, although the share of it has been declining compared to the previous quarterly periods. It is notable that while Other Personal Travel related service exports increased by \$ 21 million, the same period saw an increase in Education related Travel service exports by \$ 58 million<sup>13</sup>, accounting for nearly 71% of the increase in bilateral Travel Services exports from New Zealand to India during this period. The net expansion in total bilateral commercial services exports during this period was therefore primarily due to Education related Travel Service exports from New Zealand to India.

**Table 4**  
New Zealand-India Exports of Commercial Services by Industry as at  
Year ended March 2018 compared to March 2017

Industry	Value of Service Exports to India (\$ million)		Share in total Services Exports to India (%)	
	2017	2018	2017	2018
Travel services	1058	1140	96.8	96.4
Education travel services	871	929	79.7	78.5
Other personal travel services	176	197	16.1	16.7
Transportation services	6	17	0.5	1.4
Government services	15	14	1.4	1.2
Business travel services	10	14	0.9	1.2
Other business services	5	4	0.5	0.3
Charges for the use of intellectual property	1	2	0.1	0.2
Telecommunications, computer, and information services	3	1	0.3	0.1
Personal, cultural, and recreational services	1	0	0.1	0
<b>Total (of all Services)</b>	<b>1093</b>	<b>1183</b>	<b>100</b>	<b>100</b>

Source : Statistics New Zealand

Note: Shares are calculated on the basis of final data available from Infoshare. BPM6 Services by country.

On the Import side, 66% of commercial services imports from India have been Travel related, with 62% of total commercial services imports being accounted for by Other Personal Travel, whose share increased by 5% in year-end March 2018 compared to a year ago. Telecommunication and IT related services constituted 15% of total service imports sourced from India (down by 6% compared to a year ago), followed by Other business services (12%). While being low in value, Business Travel services reduced its share to 2.6% during this period compared to 3.1% a year ago. Service imports related to Charges for use of Intellectual Property, for which data is available, also showed an increase in the import volumes over this period. This suggests that bilateral service imports between the two countries has been largely led by personal travel services in recent years, and suggests an increased flow of tourism related travel from New Zealand to India over the last year ended March 2018.

The latest available data therefore suggests that Other Personal Travel related services has been increasing in volume and share in both exports and imports of commercial services between New Zealand and India. The bilateral services trade between these two countries, therefore have a significant scope for expansion and diversification.

**Table 5**  
New Zealand-India Imports of Commercial Services by Industry as at  
Year end March 2018 compared to March 2017

Industry	Value of Imports from India (\$ million)		Share in total Services Imports	
	2017	2018	2017	2018
Travel Services	156	177	60.5	65.6
Other personal travel services	147	167	57	61.9
Telecommunications, computer, and information services	53	40	20.5	14.8
Other business services	34	32	13.2	11.9
Government services	6	6	2.3	2.2
Business travel services	8	7	3.1	2.6
Charges for the use of intellectual property	3	7	1.2	2.6
Education travel services	2	3	0.8	1.1
Transportation Services	3	3	1.2	1.1
Insurance and pension services	1	1	0.4	0.4
<b>Total (of All Services)</b>	<b>258</b>	<b>270</b>	<b>100</b>	<b>100</b>

Source : Statistics New Zealand

Note: Shares are calculated on the basis of final data available from Infoshare. BPM6 Services by country.

<sup>13</sup> Based on Provisional data for Q2, 2018 (Year ended June), these exports increased by \$ 74 million, while Total Travel Services Exports increased by \$ 160 million, accounting for 46% of the increase in bilateral Travel Services exports from New Zealand to India during this period.

# NZ INDIA MERCHANDISE, GOODS & SERVICES TRADE

Dr Rahul Sen, Senior Lecturer  
AUT School of Economics

@ITANZINDIA 

NZIndiaTradeAlliance 

[www.linkedin.com/company/nzita](http://www.linkedin.com/company/nzita) 

NZIEU | October 2018 | Page 12 of 17



Dr. Rahul Sen is a Senior Lecturer in Economics at AUT School of Economics, Faculty of Business, Economics and Law. He was previously a Research Fellow with the Institute of Southeast Asian Studies (ISEAS) in Singapore from 2003-2007, prior to joining AUT in 2008. He is a recognized expert on economic integration in the Asia-Pacific, particularly related to Free Trade Agreements (FTAs), having published papers, articles, books and book chapters on the subject. In recognition of his expertise, his paper on FTAs involving the Association of Southeast Asian Nation (ASEAN) member countries was included at the 2006 IMF-World Bank Annual Program of Seminars in Singapore.

## Our Indian Industry Partners



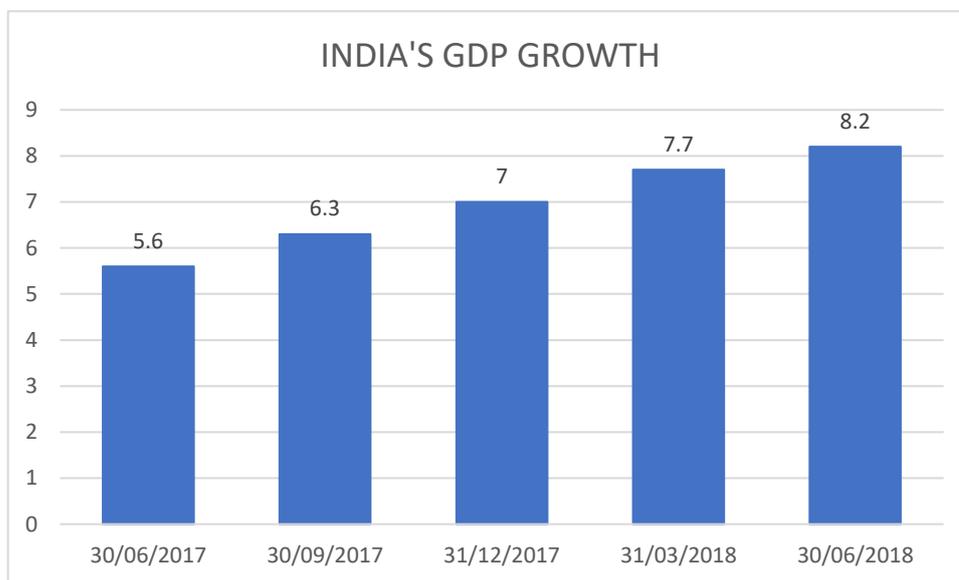
## Our New Zealand Industry Partners



## NEW INDIA - NEW MOMENTUM | STOCKTAKE OF MODI'S 4 YEAR IN POWER

Amid fears of a global trade war, India continues to chart its own course while establishing itself as the world's fastest growing economy.

India has also been making consistent efforts to reduce barriers to doing business. Consistent efforts from the incumbent government have resulted in the country climbing 30 ranks in the ease of doing business. This has resulted in an increase of \$61 billion in foreign direct investment in the past year alone.



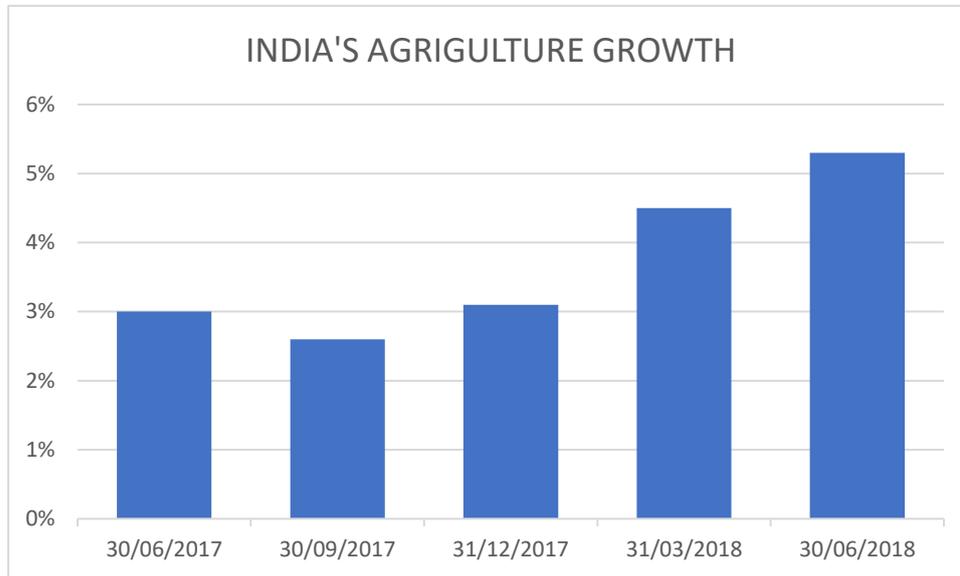
Source: Government of India

Efforts towards making doing business easier have attracted foreign direct investment, which has accelerated the country's GDP growth to 8.2% in the three months ending June 2018. This is the highest growth recorded in the past two years and the strongest since the first quarter of 2016. In comparison China's growth was 6.7% for the same period.

Further, implementation of GST has borne fruit and has started to provide a steady boost to the country's GDP.

At current estimates GDP for Q1 of 2018-19 is estimated to be around US\$633 billion, as against US\$556 billion in Q1 of 2017-18. This mean an unprecedented growth rate of 13.8%.

Reforms and fiscal prudence are serving the Indian economy well along with India witnessing an expansion of its neo middle class.



Source: Government of India

The Indian Government, apart from encouraging growth in business, has also introduced a number of policy programmes that should further propel the country's economic and social growth. Ayushman Bharat (India's healthcare programme), and the India Post Payment bank created with the aim of increasing the outreach of banking and digital services to even the most rural parts of India are example of two such policy programmes. Prime Minister Narendra Modi said his agenda is clear, he wants to show case a "New India", where homelessness, joblessness, poverty and diseases are a thing of the past.

The evolving Indian middle class and their spending power presents New Zealand and our exporters with opportunities. We have often discussed supply chain and cold storage solutions that New Zealand can offer in India. There has also been talk of other sectors setting up links with companies in India. I think the time for talk has passed. We in New Zealand need to now make use of the opportunities presented by the new India and its leadership. Fonterra has shown us the way to India is through perseverance and through choosing the right networks and partners.

## RCEP: THE WAY FORWARD FOR NEW ZEALAND-INDIA TRADE?<sup>14</sup>

The Regional Comprehensive Economic Partnership (RCEP) agreement is a comprehensive trade deal that aims to liberalize trade in goods and services, investment, and facilitate economic and technical cooperation, besides improving regulatory measures on competition and intellectual property among 16 member countries, under negotiations since 2013. The negotiations are led by the 10-member Association of Southeast Asian Nations (ASEAN) countries, and includes six major trading partners of ASEAN, that includes New Zealand and India, apart from China, Japan, Korea and Australia. The 24<sup>th</sup> round of negotiations are expected to be in Auckland, New Zealand during mid-October 2018, and there are expectations that a broad agreement on what this agreement is likely to look like will be reached during the upcoming ASEAN and East Asian Summit meetings to be held in Singapore in November 2018.

The economic importance of RCEP is obvious, given that if successfully concluded and entered into force, it will potentially become the largest Free Trade Agreement (FTA) in the world, covering 45% of the world's population, nearly a quarter of global GDP, a third of global goods and services trade, and a quarter of foreign direct investment flows.

---

*From the New Zealand perspective, there are already comprehensive working FTAs with all RCEP members till date, with the exception of Japan and India<sup>15</sup>. From India's perspective, there is a working FTA with ASEAN members on goods only, and bilateral FTAs with Korea and Japan. India and China are also members of the Asia-Pacific Trade Agreement (APTA), which is currently a partial-scope trade in goods agreement only covering tariff concessions on a few products<sup>16</sup>.*

---

The conclusion of RCEP will therefore be hugely beneficial for New Zealand exporters looking at India in terms of i) potentially obtaining a better market access in goods and services for New Zealand businesses throughout Asia, and to India in particular; ii) better and improved trade rules to deal with sanitary and phytosanitary measures, technical barriers to trade, customs procedures, and rules of origin; iii) opportunities for deeper economic and technical cooperation.

How important is RCEP for India in economic terms, besides its strategic importance for India's "Act East Policy"? Based on United Nations data, as of 2016, India exported goods worth a total of US \$ 46 billion to RCEP member countries, constituting a share of 17.6% of India's total merchandise exports, importing goods worth US\$ 130 billion from RCEP member countries, constituting a share of 36% of India's total merchandise imports. China, Singapore, VietNam and Malaysia constituted more than a half of India's total exports to RCEP during

---

<sup>14</sup> The author is Senior Lecturer, School of Economics, Auckland University of Technology, the views expressed in this article is personal.

<sup>15</sup> Notably, these include the New Zealand-China FTA, New Zealand-Korea FTA, and ASEAN-Australia-NZ (AANZFTA) that are now in force, as well as the recently signed Comprehensive and Progressive Trans Pacific Partnership (CPTPP) Agreement including Japan that has been signed, but not officially entered into force. There has also been 10 rounds of negotiations on a standalone bilateral New Zealand-India FTA, since 2010, but progress has been stalled since 2015.

<sup>16</sup> For more details on APTA, see <https://www.unescap.org/sites/default/files/APTA%20Brochure%20rev.%2020170116.pdf>

the same period. Notably, China, India's largest source of merchandise imports, also an RCEP member, accounted for US \$ 60 billion or nearly half of India's total imports from RCEP.

The above data therefore suggests that given the significant merchandise trade deficit with respect to RCEP members, India will be particularly cautious in terms of committing to any tariff reductions/eliminations under a formal RCEP trade in goods agreement, unless it is able to expand its service exports significantly to RCEP members and balance the goods trade deficit with a services trade surplus. This even more so in the light of the fact that India is a late globalizer compared to other RCEP members, and its agriculture sector suffers from decades of low productivity growth, while supporting the livelihood of majority of India's population. Further, unlike most RCEP members, India's comparative advantage globally lies more in services trade rather than in manufacturing<sup>17</sup>.

Recent developments in the negotiations at the Singapore ministerial meeting last week reflects this thinking from Indian negotiators, wherein a way forward was suggested in terms of India's demand to give tariff concessions to other partners except China over a 20-year period<sup>18</sup>, in return for services trade liberalization commitments by RCEP members to India. This is expected to open up opportunities for India's growing pool of skilled professionals seeking gainful employment in RCEP member countries, including New Zealand, through commitments in movement of professionals (Mode 4 Services Trade). Given upcoming elections in India and Indonesia next year, any concrete agreement is unlikely to be completed before 2019.

The above development has a few important policy implications for New Zealand-India trade in the medium to longer term. First, there is expected to be some phased reduction in existing tariff barriers on New Zealand exports to India, as RCEP member-countries are likely to negotiate tariff concessions for each other bilaterally. This provides opportunities for expansion of bilateral exports in specific products wherein Indian producers are not in direct import competition with them, e.g. Kiwifruit and Avocado<sup>19</sup>. Second, any service liberalization commitments in RCEP by New Zealand offered to India should diversify and expand the current profile of bilateral services trade between the two countries beyond education travel and tourism into information technology, financial and communication services. Third, this also offers the opportunity for New Zealand to alleviate its skill shortages in specific industries through commitments in temporary movement of professionals (Mode 4) offered to India. Fourth, a formal RCEP agreement with investor protection rules will provide avenues for greater amount of New Zealand investment into India in areas of technological cooperation that can complement the 'Make in India' programme and facilitate India's participation in the regional and global value chains.



Dr. Rahul Sen is a Senior Lecturer in Economics at AUT School of Economics, Faculty of Business, Economics and Law. He was previously a Research Fellow with the Institute of Southeast Asian Studies (ISEAS) in Singapore from 2003-2007, prior to joining AUT in 2008. He is a recognized expert on economic integration in the Asia-Pacific, particularly related to Free Trade Agreements (FTAs), having published papers, articles, books and book chapters on the subject. In recognition of his expertise, his paper on FTAs involving the Association of Southeast Asian Nation (ASEAN) member countries was included at the 2006 IMF-World Bank Annual Program of Seminars in Singapore.

<sup>17</sup> In 2017, India was ranked 8<sup>th</sup> in Commercial Services Trade globally, compared to 20<sup>th</sup> in Merchandise Trade, according to the WTO.

<sup>18</sup> See <https://www.livemint.com/Politics/zW2jfnWbA20jrV3CTK0IBO/India-wins-key-concession-on-services-at-RCEP-Singapore-Mini.html>

<sup>19</sup> See <https://www.mscnewswire.co.nz/component/k2/item/8170-new-zealand-avocados-in-demand-on-indian-market.html>

---

*Keep yourself updated with daily NZ  
India Business Report directly into  
your Inbox at no cost.  
Subscribe by clicking [here](#)*

---

## WATCH INSIGHTS INTO NZ INDIA RELATIONSHIP

[His Excellency Sanjiv Kohli](#), India High Commissioner to New Zealand

[Som Mittal](#), NZTE Beachhead, India and former President of NASSCOM

[Hon Tracey Martin](#), Minister for Internal Affairs, Seniors and Children, Associate Minister for Education



*NZ India Economic Update is produced quarterly by New Zealand India Trade Alliance (NZITA). This publication is intended to be of a general nature, does not take into account your financial situation or goals, and is not a personalised adviser service under the Financial Advisers Act 2008. The views and recommendations expressed in this publication are the author's. They are based on information known by the author and on sources which the author believes to be reliable. Unless specifically stated otherwise: they are current on the date of this publication and are subject to change without notice. Any of the views and recommendations which comprise estimates, forecasts or other projections, are subject to significant uncertainties and contingencies that cannot reasonably be anticipated. Data source Statistics New Zealand. While all care and diligence has been used in processing, analysing, and extracting data and information in this publication, India Trade Alliance gives no warranty it is error free and will not be liable for any loss or damage suffered by the use directly, or indirectly, of the information in this publication. Maps included are merely for representation purposes and do not construe or indicate territorial boundaries. Copyright New Zealand India Trade Alliance October 2018*