

Contents

New Zealand FTA Hits Speed Breaker.....	2
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New Zealand FTA Hits Speed Breaker

Amiti Sen, Economic Times

July 26, 2012, New Delhi: The proposed free trade agreement between India and New Zealand has hit a speed breaker due to the Centre's silence on opening the country's dairy and farm goods sector to imports. The broad-based free trade agreement that proposes to cover goods, services and investment was supposed to be concluded by March.

The agreement is important for India as it hopes to get more work visas for its professionals especially teachers, healthcare providers, technicians, IT experts, architects and hospitality providers.

The commerce department has told a negotiating team from New Zealand that visited New Delhi recently that it was yet to get a nod from the ministries of agriculture and food and therefore was not in a position to make any offers in the agriculture and dairy sectors.

"The New Zealand team was disappointed and nothing significant could happen at the meeting as its offers in areas important to New Delhi such as services is contingent upon what it gets in the farm and dairy sectors," a government official told ET.

New Zealand was also not happy with the safeguard measures India has proposed to guard its agriculture sector that will allow the country to increase import duties several times if there is a surge in imports.

The India-New Zealand free trade negotiation that began in 2009 have already missed March 2012 deadline set when New Zealand Prime Minister John Key visited India last year. The eighth round of negotiations that took place in New Delhi in end June was supposed to move the talks towards conclusion but got stuck on dairy products.

"There is no way we could have made any offers in the dairy sector without taking in views of the agriculture and food ministries as it is a very sensitive sector," the official said.

India has not yet given any significant concession in dairy to any of its other FTA partners including Singapore, Japan, South Korea, Sri Lanka and the Asean.

The dairy industry, however, is central to New Zealand's economy and it is not willing to seal its offer in services without commitments in the area.

"We are absolutely aware of the sensitivities that you have in your agriculture sector. But there is scope to work around it," New Zealand trade minister Tim Groser had told ET earlier in an interview. New Zealand could export high-end dairy products and also share technology, he said.

New Zealand, on its part, is willing to offer greater work opportunities to skilled workers. It has already started discussing reciprocal recognition of some professional degrees outside the FTA.

The two sides are hoping to increase bilateral trade from a little over \$1 billion at present to more than \$3 billion by 2012.

[\[Back to top\]](#)