

# India and New Zealand: **Growing our connectivity.**



By Graeme Waters



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**Foundation**

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## **About the author**

A graduate of Canterbury University, Graeme Waters is a former New Zealand diplomat who has twice served on postings in India – once as Deputy High Commissioner to Sir Edmund Hillary in the late 1980's and as High Commissioner from 2004 to 2007. Earlier he had also served as Ambassador to the Philippines and on postings in Papua New Guinea, the Cook Islands and South Korea.

More recently Graeme acted briefly as a trade consultant for Fonterra during the botulism crisis and has been an international adviser to Auckland Zoo.

Graeme first visited India in 1980, when he was responsible for aspects of New Zealand's development assistance programme in South Asia. His wife Audrey is of Indian descent, and they were engaged to be married in Fiji, Audrey's country of birth. Their daughter Melissa met her husband Matthieu while staying in India, and their son Andrew proposed to his wife Loren – herself of Pakistani and English descent – on a houseboat in Kerala.

India is now thus firmly in the family blood. Next year he and Audrey plan to retrace Audrey's ancestral family footsteps from Kerala to Fiji.

# Preface

I am in debt to the scores of people who helped me with this paper and its linked history piece. Many of them kindly agreed to be interviewed for vignettes; others offered briefings on their business activities. Wenceslaus Anthony at the India-New Zealand Business Council provided useful introductions and comment, and so too did Sunil Kaushal of the India Trade Alliance. Our former Honorary Consul in Mumbai, Pradip Madhavji, was helpful as ever. The Indian High Commissioner, H E Sanjiv Kohli, and his colleague Sandeep Sood were also of great assistance.

Within the Ministry of Foreign Affairs and Trade I owe thanks to Michael Appleton, Sarah Gollan, Rupert Holborow, Grahame Morton and Kiri Stevens in particular. At New Zealand Trade and Enterprise (NZTE), Ravi Nagasamy was his usual font of knowledge on Indian trade matters, and I had helpful comments from Jane Cunliffe and Peta Fraser. Likewise, from Felicity Bloor at the Ministry for Primary Industries. Many others who helped will be evident from their vignettes. Where not, my thanks go to Tim Mayson at Compac Industries, Ian Douglas at The Village Goldsmith, Hugh Tucker and Darren Robinson at Rakon, David Boyle at Fisher & Paykel Healthcare, Sir Ken Stevens at Glidepath, Emma Hill, Lindsay Corfield and Chris Colville at Michael Hill, and Brian Stanley at the Wood Council of New Zealand. In the dairy sector Phil Turner and Catherine Graham at Fonterra were candid and helpful with their insights, as was Kimberly Crewther from the Dairy Companies Association of New Zealand. Earl Rattray and Sukhvinder Saraf kindly shared information on Binsar Farms. Alan Pollard was generous with his time on the pip fruit industry collaboration.

So much for the goods trade. On services, I am grateful to busy people like Grant McPherson, John Laxon and Susie McShane at Education New Zealand, and likewise to Rene De Monchy at Tourism New Zealand and Duncan Small at Air New Zealand. Ken Hopper at the Ministry of Transport was very helpful on air services issues.

This paper was supposed to start with a subjective, people-oriented history of India-New Zealand relations, but it proved better to park much of that history elsewhere. Nonetheless, I am still heavily in debt to Professor Sekhar Bandyopadhyay at the Victoria University of Wellington. Sekhar is also head of the New Zealand India Research Institute, and he handily lent me some key books. The publication that Sekhar himself collated in 2010, *India in New Zealand: Local Identities, Global Relations*<sup>1</sup>, is a must-read on the subject. I have drawn on the contributions of Sekhar and Jacqueline Leckie in particular. And for anything to do with Commonwealth history, the name of W David McIntyre recurs. Ditto for Gary Hawke on trade. Paddy Marra has been working on a bilateral trade and business history.

For some context on the New Zealand-China Free Trade Agreement, I found papers by Scott Bowman and Patrick Conway, Ross Kendall, John Larkindale, Helena Quinn and Jason Young very useful reading. Dr Amitendu Palit's various papers on ASEAN (the Association of South East Asian Nations), the Trans-Pacific Partnership, APEC (Asia-Pacific Economic Cooperation) and India were also most helpful.

Thanks of course to all at the Asia New Zealand Foundation for providing a friendly base camp and good advice throughout. Finally, special thanks to my wife, Audrey Shyama Waters, who lost access to our study in this process but has been a long-term stakeholder in this story too.

<sup>1</sup> Edited by Sekhara Bandyopadhyaya, Otago University Press, 2010



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**How much  
do India and  
New Zealand  
know about  
each other?**

**Not as much as we think, but the picture is changing. It is changing fundamentally because growing people links have transformed the cultural landscape of New Zealand and the nature of our business dealings with India.**

In 1951, when most of New Zealand's trade and migrant flows were with the United Kingdom, there were just over 2,000 Indians in New Zealand. Four decades later, after New Zealand had introduced a more liberal immigration policy that put the emphasis on skills and qualifications rather than country of origin, the number had risen to more than 30,000. By 2001 the total was more than 62,000 and in 2016 it is estimated at around 170,000 – nearly 4 percent of the population.

With these demographic changes has come a discernible impact on New Zealand's own arts, culture, politics and media. Diwali Festival of Lights, sponsored by Asia New Zealand Foundation, has become a significant public event in New Zealand's major cities. There is established Indian theatre and comedy, there are active business chambers and there have been MPs of Indian origin in different political parties. Their presence in Parliament reflects the growing standing of the Indian community and offers scope for closer parliamentary engagement with India. Auckland hosts specialist Indian community newspapers (who cover Bollywood gossip amongst Indian, local

and other news) and a community radio station. In 1995 Sukhi Turner became Dunedin's (and New Zealand's) first Indian Mayor, and in 2008 Sir Anand Satyanand became New Zealand's first Governor-General of Indian descent, serving until 2012.

Outside Wellington Railway Station, a statue of Mahatma Gandhi is a reminder of his inspiration to New Zealanders and the world. But what does India know of New Zealand? Sir Edmund Hillary is a key name, and Sir Richard Hadlee is up there too, along with John Wright and contemporary cricket names such as Stephen Fleming, Brendon McCullum, Jeetan Patel and Ish Sodhi. It equates with a survey for NZTE suggesting that the key association with New Zealand is around Nature, Purity and Sport – a variation on clean and green, with cricket and mountaineering laced into the mix. In fact, it can be a potent brew for relations with the modern India, because the new generation of Indian IT talent is mobile, enjoys outdoor pursuits and can choose where it wants to live and work. That makes the quality of life in New Zealand a definite plus.



AJEET BAJAJ

## Inspired by Hillary

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Ajeet Bajaj has had adventure travel in his sights since he was a teenager. He first went white-water rafting on the Ganges in 1984, and the company he founded in 1990, Snow Leopard Adventures, has ridden the wave of Indians' growing love of outdoor challenges. Today Snow Leopard employs more than 100 staff, providing tours and adventure packages for school, corporate and tourist groups.

Ajeet's head office may host 40 phone lines, but you will most likely find him outdoors. Among his personal achievements, he was the first Indian explorer to ski to both the North and the South Poles. Ajeet recalls the impact that Sir Edmund Hillary had on his own life, and how he first met him when he was President of the St. Stephen's College hiking club at the University of New Delhi. He also recalls white-water rafting with Sir Ed and being struck by his friendly, encouraging demeanour.

Sir Ed agreed to be a patron of Ajeet's expedition to the South Pole in 2006/7. Ajeet regards Sir Ed as a huge inspiration for the worldwide adventure fraternity, not just for his mountaineering achievements but also for the humanitarian work he did for the Sherpa people of Nepal.





It's a mark of how seriously New Zealand saw the relationship that it made India the subject of the first NZ Inc country strategy - an attempt to synchronise understanding and effort across government and business.

The strategy encouraged long-term commitment around various aspects of the relationship, such as improving the bilateral investment framework, attracting skilled migrants and engaging more deeply on regional and global issues. It set as its trade goal an increase in mercantile exports to at least NZ\$2 billion by 2015, and 20 percent annual average growth in the services trade.

Not all of the India strategy goals have been met, particularly the trade goal, and there has been slower progress than anticipated in negotiating a free trade agreement (FTA). It is now nine years since the two trade ministers first agreed to a study on the subject, and six years since the first round of FTA negotiations. A new air services agreement (ASA) is still short of providing all the connections needed in the decade ahead. Could we be doing better in some areas, and could we be of more use to each other? Can we capitalise better on the easy familiarity we enjoy from aspects of shared history, legal systems, English language and culture, cricket and even driving on the same side of the road? And if we do collaborate, is it best done regionally or bilaterally?

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WRITER DAVID HAIR

## Inspired by India

New Zealand author David Hair came to India as an unpublished writer in 2007. Within a few months, his first novel had been accepted for publication and energised by that success he sought inspiration in his new environment. The hand prints of Rajasthani queens beside the gate of a fortress in Jodhpur, who were sacrificed on the funeral pyre of their dead Raja; the religious belief in reincarnation; and the ancient Hindu epic The Ramayana all inspired a series of young adult novels set in India – The Return of Ravana. The first book, Pyre of Queens, won the LIANZA (Library and Information Association of New Zealand Aotearoa) Young Adult Award in 2012, and the series has been published in India, New Zealand and the United Kingdom. David's subsequent fantasy series, The Moontide Quartet, also draws heavily on Indian culture and has been published worldwide and translated into four non-English languages. He now has 15 internationally published novels.

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### REGIONAL LINKS:

## The bookends of Asia

The regional linkages have thickened with India's having dialogue partner status in the Pacific Islands Forum and common membership of the Association of South East Asian Nations (ASEAN) Regional Forum and the ASEAN Defence Ministers' Meeting (ADMM Plus). The two navies have participated in multilateral naval exercises in the Straits of Malacca.

The notion that India and New Zealand might constitute the "bookends of Asia", promoted by commentator Sanjaya Baru when he visited New Zealand in 2003, has found expression in their common membership of the East Asia Summit.

India remains outside the Asia Pacific Economic Cooperation (APEC) grouping, although New Zealand Prime Minister John Key has expressed support for its inclusion.

MARK INGLIS

## Inspired by Everest, and inspiring India

Mark Inglis lost his legs after spending 13 days trapped in an ice cave during fierce weather on New Zealand's Mount Cook. For most climbing instructors it would have been time for a new career, but not for Mark. He resumed his sporting passions, conquered Mount Cook again and in 2006 became the only double amputee so far to climb Mount Everest. Mark still treks regularly in Nepal, but much of his work these days involves inspiring Indian audiences with his account of his life and how he has overcome challenges. To date, Mark has spoken to more than 150 Indian corporates and business schools, sharing his experience and the power of the positive.



As both India and New Zealand have FTA arrangements with ASEAN they are included in the ongoing Regional Comprehensive Economic Partnership (RCEP) negotiations. Slow progress in the latter, which includes China and Japan as well as Korea, prompted India's lead negotiator to float publicly in June 2016 the idea that India and New Zealand should seek to conclude a "moderate tariff" bilateral FTA as soon as possible.

Meanwhile, New Zealand and India did conclude an updated ASA in May 2016 that meets many of the immediate needs for improved connectivity. Trade in services now exceeds the value of trade in goods. New Zealand's education and immigration policies are closely linked, and tourist numbers have been on a consistent rise. Air services are now thus critical to the relationship, and a good place to start a more detailed examination of how well connected we are.

#### AIR SERVICES:

## Can two friends get closer without being direct about it?

Is distance a barrier to links between India and New Zealand? India has always been more than a single non-stop flight away, unlike destinations within ASEAN and North Asia. Now, however, the technology exists to make non-stop flights to and from India possible.

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Both Air India and Air New Zealand have Boeing 787 aircraft in their fleets that could manage the 16-hour flight time, but they look unlikely to chance their arms on this in the immediate future.

Air New Zealand regards the yield on the sector as insufficient to justify non-stop flights, which require a very heavy fuel load and thus a potentially smaller payload. Moreover, while New Delhi is the largest single traffic point, accounting for nearly half, the balance is spread across a number of other cities. Of these Mumbai would be the most significant for outbound traffic from India. Mumbai is the only centre that Air New Zealand is entitled to serve, but as we discuss below it has some useful code-share options. Air India, which is now a Star Alliance member, crucially has the right to fly directly to Auckland from New Delhi as well as from any other Indian city it wishes. The nearest it has come so far, though, is Australia. It currently flies from New Delhi to Sydney and Melbourne using a Boeing 787 – which has the capability to service New Zealand non-stop as well.



Interior of New Delhi Airport

If direct flights still look problematic, the good news is that Air New Zealand is now better placed to promote the Indian market with Singapore Airlines. India long ago came to a generous open-skies arrangement with ASEAN, and one of the many positive results is that Singapore Airlines and its SilkAir affiliate currently service a dozen Indian cities. Of these, Mumbai, Kolkata, Chennai, Bangalore, Kochi and Hyderabad are specified as third-country code-share destinations in the new ASA. Thus Air New Zealand can offer competitively priced tickets to these six cities under its "common metal" revenue-sharing arrangement with Singapore Airlines. In the case of New Delhi itself, Air New Zealand can code-share with Air India but not with a third-country carrier. Singapore Airlines is, of course, free to market New Delhi as a destination in its own right.

That leaves Air India, which once flew to Fiji but has never mounted services to New Zealand. With the growing diaspora in New Zealand making its mark, it may eventually be able to contemplate direct flights to Auckland, or adding a Tasman leg to its service to Australia. Both Air New Zealand and Air India may use intermediate points in Australia, Bangkok, Hong Kong or Singapore. Having its own service to New Zealand might, in turn, strengthen Air India's hand in marketing India as a stopover destination en route to Europe – something Air New Zealand and Singapore Airlines, which lack beyond rights from India, are less well placed to do.



## Shakespeare wallahs

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New Zealander Professor Jonathan Gil Harris and Professor Madhavi Menon, both Shakespeare experts based at Ashoka University, lectured on aspects of Shakespeare and his popularity in India at Wellington's Victoria University in May 2016. Their respective lecture topics were titled "Masala Shakespeare" and "A History of Desire in India". Their audience included another Shakespeare fan from India, Indranil Chakravarty – previously Professor of Screenplay at the Film and Television Institute of India – who is currently working on a PhD at Victoria in the area of postmodern biopics. Indranil has lectured in Wellington on the bard's pervasive presence in India, particularly in filmmaking. He shares his enthusiasm for Shakespeare with his son Shagnik, who has performed in a Wellington High School production of *The Taming of the Shrew* and is currently working on a film about Shakespeare performances in New Zealand schools.



#### Gliding on

Glidepath baggage-handling equipment in operation at Cochin (Kochi) International Airport. It was installed in 2009. Glidepath has been working in India since 2000 and completed ten airport projects there. It is currently building a new terminal at Kochi and has an 11-year contract for operations and maintenance, requiring a full team of experts on site 24/7.

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Do direct flights matter to the growth of the relationship? The short answer has to be yes, but the verdict may be more nuanced over such long distances.

A 2013 study of air services liberalisation in New Zealand by Aaron Schiff and John Small<sup>2</sup> suggests the main benefit has been to allow competing hub arrangements. In addition to Singapore, the Malaysian, Thai and Hong Kong carriers (not to mention Emirates and Qantas) can offer good connections to India from New Zealand. India is reputedly a price-sensitive market, meaning hub carriers can try to offset time increases with cheaper fares. The evidence from China, however, suggests that education services in Australasia have done best between cities serviced by direct flights.

Similarly, the vastly greater tourist growth projections for China underline the difference between markets that enjoy direct air links and those that do not. Arguably direct air services need to become part of the equation between India and New Zealand in the next three or four years. With Air New Zealand currently excluded from flying to New Delhi (the most logical connection point), making both national carriers eligible to fly there direct by 2020 could be just the boost the relationship will need by then. India's June 2016 announcement that it will open its skies for direct services between destinations over 5,000km from India may be a helpful pointer. Watch this space.

<sup>2</sup> Economic effects of Air Services Liberalisation in New Zealand, by Aaron Schiff and John Small, Covec Ltd, 2013

# Flight distances from Auckland, New Zealand:



BY COMPARISON, TORONTO, CANADA TO NEW DELHI IS 11,627KM



## Banking on the diaspora...

Samath Tallapragada arrived in Wellington from Chennai in 2012 with not much more than a suitcase, charged with setting up a new branch of the Bank of Baroda. Four years later the Wellington branch is part of an expanding family of Bank of Baroda branches around the world. The bank, which started in Auckland in 2010, also has a branch in Manukau, with Christchurch the next logical step. The Bank of India currently serves Hamilton.

In New Zealand, the Bank of Baroda appeals largely to the Indian diaspora, and its forte is offering competitive exchange rates for currencies of most interest to Indians abroad - including the Fiji dollar. The bank has eight branches in Fiji, having first set up there in 1960.

Bank of Baroda New Zealand operates as a New Zealand entity and has expanded every year since inception to a customer base of more than 10,000. Popular with IT workers from India wishing to send remittances back home, it offers a convenient and speedy link to the Indian banking system. And if they settle permanently in New Zealand, the bank provides retail lending for mortgages in New Zealand dollars.



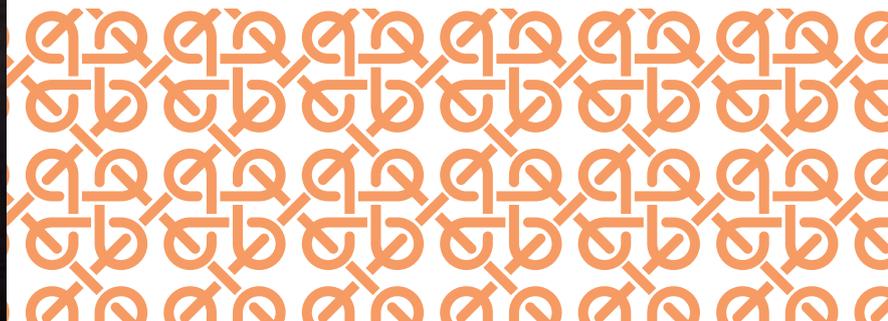
TOURISM:  
**Is the  
Bollywood  
honeymoon  
over?**



The 2000 smash hit *Kaho Naa Pyaar Hai* (“Say it’s love”) put New Zealand and its southern lakes firmly on the romantic map. It inspired not just Indian honeymooners but also other Indian film producers keen to replicate its success.

It has been difficult to sustain the initial momentum, however, and Indian filmmakers (like most others in the game) tend to shop worldwide for new locations and favourable deals. Smaller Tamil and other regional filmmakers continue to use New Zealand. The last big Bollywood production was “The Players”, a 2012 Indian take on “The Italian Job” that featured parts of Auckland and a car chase on the Wellington airport runway. The scenery got good reviews, but Indian critics were less kind about the script.

New Zealand still promotes itself as a honeymoon destination at bridal and wedding fairs in India, and rising Bollywood star Sidharth Malhotra has visited New Zealand as part of a Tourism New Zealand promotional campaign. He has some three million followers on social media. As a result, many of them like New Zealand too!



**In the past decade, tourist numbers in each direction have more than doubled. In 2015 some 46,000 Indian visitors came to New Zealand, while just over 50,000 New Zealanders visited India.**

Indian tourists are a boon to the New Zealand travel industry because they tend to be independent travellers, sometimes in large family groups, and open to adventure and other activities. Outside the normal December high season, the peak time for travel from India is April-May, which helpfully is a shoulder season for New Zealand.

The Ministry of Business, Innovation and Employment forecasts growth in Indian tourist numbers to 93,000 by 2022, assuming a commensurate growth in air services.

In contrast, the projection for China is growth from 356,000 to 921,000 visitors, nearly ten times the figure for India! So far the major constraint for Indian visitors has been tightening accommodation availability in New Zealand itself during the December peak season rather than air connections. But as discussed earlier, the time will come when direct flights need to be part of the connectivity equation.

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**ROHIT ANAND**

## **It's all about relationship building...**

Rohit Anand came to New Zealand over a decade ago with an Indian IT company that had partnered with Optimization to gain experience of New Zealand. Today he operates as country manager for Tech Mahindra, based in its 16th-floor offices overlooking Wellington Harbour. In a world where business, especially IT, is increasingly mobile, Rohit loves the community feel of Wellington and the opportunity to forge lasting business relationships that comes from this. Wellington, also home to such global names as Peter Jackson, Weta and Xero, appeals to Rohit because in the global scheme of things it offers a simpler, more meaningful lifestyle. With that comes the chance to indulge in his hobbies of tennis, squash and golf.

That sort of lifestyle isn't for everyone, Rohit comments, and he notes how hard it can be to step from the fast lanes of Mumbai and New Delhi into the relative solitude of a smaller New Zealand city. But for Rohit Wellington makes the ideal business environment - one based on carefully nurtured, long-term business relationships where there is time to connect.

"Hire local, connect globally" is Rohit's philosophy, and he has sought to blend local innovation and know-how with Tech Mahindra's global scale and commercial strengths. Tech Mahindra New Zealand now employs more than 200 people in its dealings with major banking and telecom enterprises, local councils, government agencies and other corporates in New Zealand. It has plans to do more. It is part of the wider US\$16.9 billion Mahindra Group, which employs more than 200,000 people in some 100 countries and now has a retail automotive presence in New Zealand. Electric cars anyone...?



RANJNA PATEL

## Third-generation Kiwi Indian achiever

Ranjna Patel can be described as a social entrepreneur. In nearly 40 years she and her GP husband Kantilal have built one of New Zealand's largest primary health organisations, Nirvana Health Group, from Kantilal's original sole practice.

Starting in South Auckland, Nirvana's focus has been on helping underserved, lower-socio-economic groups and creating a sustainable model where children attend for free and adults pay no more than NZ\$10 to visit their GPs. Nirvana remains the largest low-cost provider of GP services in the country, with more than 900 healthcare professionals caring for over 190,000 enrolled patients.

A third-generation Kiwi Indian, Ranjna married at 18 and worked as the receptionist in Kantilal's GP practice, growing into a leader and entrepreneur as the business expanded. She attributes her strong work ethic and capacity for long hours to her Indian culture.

Between them, the staff at Nirvana speak more than 26 languages. Ranjna was presented with the "Walk the Talk" Award at the 2014 EEO Trust Diversity Awards for her success in managing a diverse workforce. That same year she was inducted into the New Zealand Hall of Fame for Women Entrepreneurs by Co. OfWomen. She also holds a Queen's Service Medal. Ranjna represented New Zealand at a panel discussion at Pravasi Bharatiya Divas (a conference for overseas Indians) in New Delhi in May 2016.

Among other community projects Ranjna has supported are the International Swaminarayab Satsang Organisation Hindu temple in Papatoetoe and a new initiative to combat family violence within the South Asian community in Auckland. It provides accommodation for men with protection orders against them and the opportunity for professional counselling.



EDUCATION:  
**Have we  
got the right  
peak?**



**Indian twins Tashi  
and Nungshi Malik**

**Tashi Malik is no ordinary student. The recipient of an inaugural Sports Scholarship to study in New Zealand, she has the distinction of having climbed Mount Everest with her twin sister Nungshi, who received a Sports Scholarship too.**

Both have been studying sport and exercise at Invercargill's Southern Institute of Technology. Their mountaineering achievements reflect the growing boom in adventure sports throughout Asia. Their Sports Scholarships are one of a number of promotional activities that highlight the growing significance of India as an education market.

Since 2010, the number of student travelling from India to New Zealand has increased from just under 12,000 to some 29,000. Up until 2015 India was New Zealand's fastest-growing education market, second in size only to China, and accounting for around a quarter of the total number. Education New Zealand rightly sees

India as an important market that will loom large in New Zealand's future. With a workforce estimated to reach 500 million in the next few years, India's young demographic commands attention. Skills training and education are a critical factor for India. In turn, Indian proficiency in the IT sector has been a boon for New Zealand. Institutions such as Auckland's Media Design School can point to impressive results for Indian students in the graphic design field, and exciting job opportunities in New Zealand.

VANISA DHIRU

## Making society good

Vanisa Dhiru picked up many of her business skills in a corner dairy in Palmerston North. The daughter of an India-born dad from Gujarat and a New Zealand-born Indian mum, Vanisa remembers that working long hours together as a family meant few holidays but lots of family time. What her family gifted her, Vanisa recalls, was the idea that “everyone is equal” and that she could make a difference. Now aged 35, she has made a difference, committing herself after university and a stint with NZTE and the commercial sector to a career in the not-for-profit sector. Along the way Vanisa has overcome her own fear of public speaking by entering the Miss India New Zealand contest as Miss Trade Aid, raising more than NZ\$1,000 for Trade Aid.

Now an acknowledged leader in the voluntary sector, Vanisa has been on the boards of YWCA and Trade Aid and has first-hand volunteer field experience in Bangalore and Chennai. She has been to the United States on its International Visitor Leadership Program and is involved with GOPIO – the Global Organisation of People of Indian Origin. She is also the sole New Zealand fellow of the BMW Foundation’s Responsible Leaders Network.

Vanisa is currently the General Manager of YWCA of Aotearoa New Zealand and Vice-President of the National Council of Women of New Zealand. As a “Women in Leadership” guest speaker at Victoria University, Vanisa had a key message for the diverse group of young women in her audience: “Make your negative a positive. Use your ethnicity and difference to your advantage”.





New Zealand institutions including Unitec and Manukau Institute of Technology have established partnerships in India itself. Looking ahead, Education New Zealand sees scope for collaboration in specialist areas such as agri-tech and renewable energy. Pilot training looks promising. There have also been partnerships in such eye-catching sectors as fashion and design, with India now a regular participant in the annual World of Wearable Art Awards.

So what's the catch? Education is a key component in the NZ Inc India strategy, and a carefully calibrated link to immigration opportunities makes it possible to identify study options relating to declared skill shortages. That can pave the way to employment and then permanent residence.

Occupations currently covered by this include cook, chef, cafe supervisor and retail management, for which training can be provided at the lower end of the education spectrum. Many of the 29,000 Indian students have enrolled in just such courses in the clear expectation of being able to stay in New Zealand. The skill shortages are real enough, but the same provisions have created scope for unscrupulous operators to indulge in false marketing or false documentation, or to engage in exploitive practices as education providers or employers. Sometimes the two roles have become mixed. Bad practice on the part of a few education providers, and welfare and other issues arising from exploitive

situations, could continue to attract media attention at the expense of the wider market and its opportunities. The challenge for New Zealand is to deal firmly and fairly with those who compromise standards, using the powers available to the New Zealand Qualifications Authority and Immigration New Zealand in particular.

Looking ahead, the answer seems simple – quality not quantity. With most private training establishment (PTE) and Institute of Technology and Polytechnic (ITP) students firmly focused on permanent residence, the scope for disappointment can compound. The most recent changes to the visa policy, requiring English



**No bending at the elbow**

Cricketing personality Stephen Fleming occasionally pitches in as an education ambassador for New Zealand. Here he is pictured discussing an Indian doctoral student's research at the University of Canterbury (Stephen's alma mater) on cricketers' shoulder injuries.



**Academic engagement in Chennai**

The southern states of India have been the focus for Education New Zealand efforts to promote new academic linkages and attract high-quality students. A key element is an academic lecture series which connects leading New Zealand professors with prestigious Institutes of Technology and Universities, such as the University of Madras.

language study, have had the effect of reducing incoming student numbers in 2016, particularly in lower-level programmes offered by a small number of PTEs.

The growth in the number of Indian students has been impressive, but it is now in both countries' interest to focus higher up the educational value chain. Do that, and with each new student there is also the happy prospect of proud relatives making a tourist trip to see for themselves.

## RAKON

# Crystallising the French connection

When New Zealand technology company Rakon established a global network that included Argenteuil in France, it led to a further global connection – with India. Indian technology company Centum was already doing business with the French company that Rakon acquired, and that created the possibility of a joint venture that could take advantage of India's lower labour costs to manufacture high-volume designs.

The joint manufacturing operation in Bangalore produces mainly oven-controlled crystal oscillators for use in telecommunications infrastructure. Having a base in India has provided useful contacts with major international telecommunication companies in India, which tend to localise supplies where practicable, and with local companies in the telecom/defence/space sector. In comparison with China, where Rakon has a stake in a higher-volume manufacturing plant, skilled technician costs in India have proved relatively stable. Rakon has invested in training key Indian staff in New Zealand, and notwithstanding a strong dip from its peak factory output of US\$30 million, sees itself as a long-term player in India.

TRADE:

# Should we get more formal?



If divisions over trade policy qualify as a test of friendship, India and New Zealand have been well tested. New Zealand has been a consistent advocate for trade liberalisation, not willing to compromise on agriculture access lest this compromise its position in subsequent negotiations. And the overall picture looks impressive: it can point to a 28 percent rise in trade in the past five years with countries with which it has FTAs, compared with a 2 percent increase for those with which it doesn't.

India for its part can point to its record as now the world's fastest-growing large economy. The tariffs may be high in some sectors, but India's lead trade negotiator Arvind Mehta can point to an increase in India's "tradability". And then there is size relativity. India represents a very large market for New Zealand, but when it comes to tariff reductions New Zealand has very little left to concede. If India were to eliminate tariffs on sensitive agricultural items, Mehta says, Indian politicians would ask "where is the gift in return?"

Give the wrong answer to that question and there is a risk that two good friends could miss out on each other's party. But why should India, the centre of a bustling universe, be worried about missing out? And if it does want to join a party, why not the biggest one on offer – currently RCEP? Why dine out with the Kiwis?



## RML ENGINEERING

# We like it there...

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Larry Greene, Chief Financial Officer of RML Engineering in Hamilton, says it was a happy day five years ago when, after never quite finding a suitable partner in China, it was approached by an Indian company looking to invest. A 20 percent stake holding in RML by Bechtochem then led to a 50/50 joint venture in Pune, manufacturing on a larger scale and at a lower price point than would apply in New Zealand.

RML mostly provides automated processes for the food packaging sector in New Zealand, but in India, the main application has been the hygienic packaging of pharmaceuticals. The recruitment and training of Indian staff, with frequent training exchanges between the two countries, has established a solid relationship – for which, incidentally, Larry Greene is grateful to NZTE. As with some other New Zealand companies manufacturing in India, the most advanced aspects of design and manufacture are still carried out in New Zealand.

Part of a possible answer to that comes from some recent academic study by Dr Amitendu Palit at the National University of Singapore's Institute of South Asian Studies. His work suggests that India now runs the risk of trade diversion, particularly if the Trans-Pacific Partnership is ratified. So being on the outside will bring its own costs, and progress on the RCEP alternative looks slow. His research also suggests that in some critical areas such as standards, India may be increasingly distanced from best practice – a problem if you want to export to advanced economies like the European Union with complex requirements for, say, food safety. So big as you are, there may be areas where you need to lift your game – and a small partner may be safer to practise with than a large one. So why not bring New Zealand into the practice nets to try your arm? The Kiwis might even share batting tips on GST and other governance issues of mutual interest.

There is another aspect to the gift too. New Zealand's global investment in key sectors such as dairy has typically been part and parcel of market access. Some of New Zealand's trade partners have insisted on official development assistance in the dairy sector as an offset for greater market access. The real dividend, however, has been on the commercial front. In the key markets of ASEAN, Sri Lanka and Chile, New Zealand commercial investment has eclipsed any governmental aid on offer. It has never been pledged that way in an access agreement, but the reality has been that investment follows the trade.

An equally powerful example of the value of trade links is shaping up in India's apple growing region of Himachal Pradesh (HP). Pipfruit New Zealand has been actively involved in HP for several decades, working to develop the market in tandem with local growers. The seasonal complementarity between New Zealand and HP offers scope to market outside each other's harvest season. But more important, the experience gained from working with HP producers has made Pipfruit New Zealand and its New Zealand consortium partners one of two final contenders for a US\$161m World Bank development project in HP that could transform the local apple industry. The focus in the first phase will be on orchard rejuvenation and irrigation.

## Free trade agreements are not just about tariffs

Victoria University Emeritus Professor Gary Hawke sees trade in the modern world as all about integration – no longer the simple exchange of finished goods and services. The new reality, says Hawke, is “trade in tasks,” with the following key considerations:

- Increased trade in intermediates
- Use of imports to produce exports
- “Supply chains,” “global value chains” and “international production networks”
- Standards and interoperability
- International trade in services, and services embedded in goods
- Commercial presence implies investment.

It's the world to which Indian and New Zealand businesses have already shown they can belong. A new-style FTA might equip them to do even better.



### Fisher & Paykel Healthcare Respiratory Humidification Equipment.

Since it first established a one-man office in Bangalore in 2001 Fisher & Paykel Healthcare's Indian operation has grown to 55 sales, marketing and distribution staff, who work closely with Indian medical practitioners.



DAIRY

**Are we sure  
this is  
too hard?**

When it comes to dairy cooperation, India and New Zealand go back a long way. Dr Verghese Kurien, the founder of India's transformative dairy programme Operation Flood, spent time studying at Massey University in the 1950s and wrote affectionately of his time boarding with a New Zealand family.

Just as Amul, India's major milk processor, is founded on cooperative lines, so is Fonterra, New Zealand's major milk processor and dairy exporter. Some high-profile New Zealand development assistance projects in the 1970s involved the artificial insemination of cattle in HP and investment in urban milk processing.

**But each country approaches dairy from a different situation:**

- India, the world's largest milk producer, is also the world's largest consumer
- India's policies have been geared towards self-sufficiency in milk production, although it has occasionally been a net importer of milk as well as an exporter
- It aims to provide milk to 1.2 billion people
- Rural welfare and employment are important policy considerations. Cows are sacred to Hindus
- New Zealand accounts for just 2 or 3 percent of global milk production
- With a population of just 4.4 million, it can export most of its milk production, accounting for 20 to 30 percent of global dairy trade
- But New Zealand has distinct physical limits to its dairy capacity. It can meet the nutritional needs of just 40 million to 80 million people in all.

With its productive capacity so limited, why has New Zealand maintained a presence in so many markets? The answer lies in the complexity of the modern dairy sector, which provides potential for partnerships at every level of the production and processing chain – the value add!

A look at key markets in Asia where New Zealand does have more open access arrangements suggests the possibilities that might evolve with India under such a scenario. In the wake of more liberal trade access arrangements Fonterra has committed to becoming a development partner and long-term stakeholder, knowing that:

- Access, in reality, goes hand in hand with participation in local dairy production
- The sheer size of Asian markets means they can never be serviced from New Zealand alone.

Thus in China, where changing diets and growing disposable incomes have lifted demand, New Zealand milk production has not been sufficient to satisfy the market. Following its 2007 Hangu pilot project, and in the wake of the melamine scandal (which created a spike in demand for imported infant formula), Fonterra committed to investment in the Chinese dairy industry in a way that would enable it to guarantee quality. It has invested some NZ\$1 billion in the development of 10 farms and a 50,000 cow herd aimed at producing and distributing high-quality milk.

This can be seen as a quid pro quo for Fonterra's ability to supply its own product to China, but at the same time, major Chinese companies have purchased existing assets in the New Zealand dairy sector. They have done so in the belief that being shareholders in either processing or farm facilities will give better security of supply. Interestingly, a New Zealand Treasury analysis of the New Zealand-China FTA has questioned whether (in the heat of the commodities boom) New Zealand became too focused on the milk powder trade at the expense of options higher up the value chain. Meanwhile, China itself has arguably secured a place on New Zealand's value chain through strategic purchases by Yili, the Mengniu Dairy Company and Shanghai Bright Foods.

Within ASEAN, improved access arrangements have seen Malaysia become a hub for the processing and re-export of dairy products from New Zealand. As a result, Malaysia, a relatively minor producer is now the sixth-largest milk exporter in the world and a shipping and distribution hub for dairy production within ASEAN.

In the Philippines, longstanding dairy access arrangements have been matched with government-level commitments to the joint development of the Philippines' dairy sector. A further happy coincidence has seen Filipino farm managers taking up work opportunities in the New Zealand dairy sector. Some 2,000 Filipino dairy workers are now placed in various rural communities around New Zealand. While the link was never planned, the potential for returning Filipinos to apply newly gained skills and experience to the Philippines' dairy sector is evident.

In Sri Lanka, where New Zealand has long had a strong presence in the market, Fonterra has commissioned a demonstration farm in a central coconut area. It aims to provide training, improve production methods and boost local milk supply for processing for local consumption. Fonterra has committed to a minimum of NZ\$80 million in investment in Sri Lanka in the next decade, with dairy development accounting for a third. Some NZ\$10 million has been disbursed since 2013, supplemented by a further NZ\$10 million in official development commitments from the New Zealand Government, which includes partnerships with non-government organisations. Additional development synergies have resulted through twinning arrangements between Massey University and the University of Peradeniya veterinary school. Fonterra has set itself the objective of partnering a prosperous, sustainable dairy industry in Sri Lanka.

#### **With greater dairy access, what would New Zealand exporters do in India?**

The scope for Fonterra and other New Zealand producers to divert product to India is limited, but New Zealand was able to supply India at a time of shortage in 2009, demonstrating the value of flexible trade arrangements in support of food security. New Zealand's exporters have a record of responding readily to price signals. There was substantial growth in New Zealand milk powder exports to China following the FTA (partly due to other factors), but a recent price weakness there has seen a diversion of some product to the Middle East and Africa. At the margin then, improved access to the Indian market should result in additional products from New Zealand if the demand warrants it. Additional investment by New Zealand in production, processing and distribution in India is also likely.

If India were to follow the China pattern, the investment flow might not be all one way. We might also see Indian firms investing in the New Zealand supply chain – just as Chinese majors have invested in the processing plant and other assets in New Zealand in the belief that this will help guarantee supply.



## QUALITYNZ

# Targeting the top shelf

With tariff levels acting as a pitch dampener on food imports, what does a good cricketer do? Adjust your batting stance to the pitch of course, and choose your players carefully. Former cricketer Geoff Allott has done just that in partnership with some famous cricket names – Stephen Fleming, Brendon McCullum and Daniel Vettori are all stakeholders – to target the Indian food and beverage market from the top. With an eye to the future, QualityNZ has invested more than NZ\$1 million in setting up a distribution network in India, which cuts out some of the traditional importer/wholesaler networks but still partners it with a good number of Indian five-star hotels.

Geoff says getting brand recognition in top hotels is the major objective in the first few years, especially for high duty and excise items such as wine. More recently, however, QualityNZ has trialled the promotion of its product lines in retail outlets.

QualityNZ, whose product range includes lamb cuts from New Zealand's Alliance Group, salmon and a number of wine labels, has worked with local chefs to familiarise them with New Zealand products and their potential. Indian MasterChef judge Kunal Kapur, who visited New Zealand as a Prime Minister's Fellow in 2013, has been involved. QualityNZ also hopes to make more use of cricketers in the future.

While tariff and other excises on wine may limit market access, in the battle for market share in the top hotels it's not the only factor, says Geoff – providing competitor countries do not have preferential tariff access. Geoff sees food safety standards as a potentially serious barrier as well, and believes there is scope for India and New Zealand to work more closely in that area.

The secret to success in India, Geoff believes, lies in good people-to-people relationships. The real value of an FTA, he believes, is that as with China it would "plant seeds in New Zealand exporters' heads that India is open for business".



## Binsar Farms dairy.

The Binsar Farms dairy in Haryana produces, processes and distributes milk to customers around New Delhi and the National Capital District. A joint Indo-New Zealand private venture, it is the product of a shared vision between three Indian IT professionals and Kiwi dairy industry veteran Earl Rattray. With other Indian and New Zealand stakeholders in close support, it aims to adapt best international practice to Indian conditions, putting a premium on good green feed and effective shade against summer heat.

## Compac Industries

### Partnering for cleaner air

More than a decade ago the city of New Delhi famously decided to put a ban on the use of two-stroke fuel by its legendary tri-wheel auto rickshaws ("tuk-tuks"). Inspired by the city's need to improve its air quality, the move was also the beginning of a beautiful friendship with Auckland-based Compac Industries. A specialist in gas meters and other fuel-dispensing products, Compac is a relatively small New Zealand exporter that has been integral to the expansion of the CNG-powered auto rickshaw industry in New Delhi and other parts of India.

Initially, Compac supplied whole fuel-dispensing machines, complete with their metal frames, to India. Changing market conditions and the graduated tariff structure led Compac to discuss a partnership with one of its distributors. The result was a new company, Compac India. Using electronic and other specialist equipment from New Zealand, Compac India manufactures complete CNG and LPG dispensers for use across India. It now has some 80 percent of the market in India and is well placed to export to the wider South Asian region in future.

Compac's cloud-based retail software has also enabled New Delhi gas retailers to cope with a new vending requirement. To reduce long daytime queues at gas stations, a differentiated pricing policy has been introduced that mandates cheaper gas at night time. Compac's IT systems make the daily changeovers seamless and fully automated. The result has been not only a reduction in daytime fuel queues but an overall increase in patronage.



CNG-powered auto rickshaws at a Compac-equipped New Delhi fuelling station.

### Bake in India?

The advantage for both India and New Zealand may not lie in the basic commodity supply chain, but in the more specialised ingredients vital to food manufacture. Blending New Zealand product with the local product may be the key to meeting more sophisticated food manufacturing requirements, such as biscuit-making. Classically, a marketplace presence for New Zealand dairy exporters has led to partnerships in local production, processing and distribution, but also in food manufacturing. Even without the benefit of easy market access Fonterra has sought commercial partnerships in India to better understand the foodstuffs market, but

with limited success. With a more established market presence, however, the history elsewhere suggests that new commercial partnerships will blossom and flourish.

### What's the next agenda?

For both sides, the real driver can be value added. Indian policy-makers know that at least 200 million people currently on farms will need to seek employment elsewhere. One of the sources of employment could logically be in food processing and manufacturing. Just as New Zealand has derived export advantage from its ability to partner in this sector so too India can derive employment advantage from new partnerships.

Because of the great disparity in market size, it can be easy for policy-makers to look through just one end of the telescope.

When a stream of Bollywood and other film producers were filming in New Zealand in the 2000s, there was pressure from the New Zealand film industry to insist on more places for New Zealand film workers in what were relatively low-budget productions. But for New Zealand, this was not the employment calculation that mattered. The real value of Indian filmmaking in New Zealand was its incidental promotion of New Zealand as a romantic and scenic destination, with resulting boosts to both tourist and student numbers.

For India, the vulnerability of rural workers can make the granting of market access for agricultural products a difficult sell. But high-value food imports are an essential input to India's modern hotel and restaurant sector, which attracts high-spending tourists from around the world. And improved welfare will depend not on continued subsistence production but on greater opportunities in agri-business and more sophisticated handling, storage, processing and manufacturing. New Zealand's track record elsewhere suggests that it could be a valuable player for India too.





Meanwhile,  
back in the rest  
of the tariff  
schedule...



As the vignettes in this paper show, there is no single model for doing business between India and New Zealand. Some small businesses have enjoyed great success. Some large operators have experienced great frustration.

Some have been involved in joint ventures, some have used Indian distributors, some have acted as their own importers and distributors. Sometimes a contractual relationship has evolved into a close partnership. Sometimes a joint venture has reached the end of its shelf life.

What most New Zealand companies say is that they enjoy their relationships with India and the advantages of dealing in the English language with a culture that has so many points of familiarity or inspiration with our own – be it a love of cricket, literature, film, fashion, adventure or food. In the variety of business relationships, good personal dealings are a constant factor for success. Outside the food and beverage sector and the processed timber trade, tariffs have not been the most critical factor for many New Zealand businesses – it has been people.

## JEWELLERY

# A multi-faceted relationship



One of the icons of New Zealand retailing, Michael Hill, nicely illustrates the complexities of modern supply chains. Its 53 New Zealand stores now account for just a sixth of total sales, eclipsed by both Australia and Canada. With more than 300 retail outlets in Australia, Canada, the United States and New Zealand, Michael Hill has centralised its global distribution and own manufacture in Brisbane. The company sources jewellery products from 13 countries, but the most significant is India, which accounts for 40 percent of its supply.

Diamonds and silver items are the main imports from India, from a range of suppliers, and in the past year accounted for NZ\$90 million worth of finished products and NZ\$20 million of loose diamonds.

On a smaller scale, The Village Goldsmith in Wellington not only imports loose, polished diamonds from India but has exported a number of finished pieces to individual clients in India. It is also developing a business relationship that would enable its jewellery designs to be made and distributed by a major chain in India.

## The bilateral trade and investment picture is in any case far from static.

Staples of the trade for New Zealand, such as wool and wood products (now major export items), have been supplemented by newly manufactured items such as respiratory healthcare equipment and airport baggage-handling systems. And even a staple like timber offers fresh opportunities as companies like IKEA become established in India and seek to establish new supply relationships.

Following the problems of Solid Energy and the Pike River coal mine tragedy (in which an Indian company was an investor) the coal trade is off the ledger for now, but there could yet be interest in this or alternative energy systems. New Zealand was an investor in the Indian electricity sector in the 1990s through AsiaPower, and India could yet be a source of electric cars for New Zealand.

New Zealand is typically denied dairy access by the tariff structure but has made modest inroads with exports of kiwifruit and apples. It has a toehold in the luxury hotel market for its premium food products and wines. India has successfully



# 1/10

- **New Zealand's real GDP is 1/10 of India's**
- **New Zealand's trade with India is 1/10 that with China**
- **New Zealand-India tourism projections for 2022 are 1/10 that for New Zealand-China**
- **1/10 is Reuben Abraham's<sup>3</sup> assessment of how the trade and tourism relationship measures against its potential**
- **1/10 of the world's population is Indians under age 30**
- **New Zealand is in the top 1/10 of the world per-capita GDP**

<sup>3</sup> Dr Reuben Abraham is chief executive office of the IDFC Institute, an Indian think tank

exported mangoes, grapes and cut flowers to New Zealand. Jewellery items remain significant exports from India, and would benefit from the removal of New Zealand's small remaining tariff. That would no doubt occur with an FTA.

An FTA would undoubtedly galvanise trade and investment in the agriculture sector. Meantime, it is beyond the goods market and into the realms of services where each side can best capture the other's imagination. In areas such as IT, fashion design, filmmaking and aviation services, the sky is the limit. How best to celebrate the potential? Let's build on the bits where we have sparked off each other in the past.

How about a Dr Kurien scholarship in agri-business to commemorate the past sharing of ideas and highlight the future potential for collaboration?

And how about a Himalayas scholarship in adventure tourism to highlight our shared history there and future potential?

It's all about people. He tangata.

**Go India!**  
**Go New Zealand!**

## The Asia New Zealand Foundation is New Zealand's leading non-government authority on Asia.

We are a non-partisan, non-profit organisation, set up in 1994 to build New Zealanders' knowledge and understanding of Asia. We rely on a mix of public, philanthropic and corporate funding.

With staff in Auckland and Wellington, the Foundation is overseen by a board of trustees drawn from business, community, academic and leadership backgrounds.

We are supported by a panel of honorary advisers from across Asia. This group comprises leading academics, businesspeople and current and former politicians and diplomats.

The Foundation works in partnership with influential individuals and organisations in New Zealand and Asia to provide high-level forums, culture events, international collaborations, school programmes and professional development opportunities.

Our activities cover more than 20 countries in Asia and are delivered through seven programmes.

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