

## Twin Peaks: India and China on New Zealand's Asian horizon

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His **publications on India** include:

- Beal, Tim. "India and China – Recognising the differences." *EMERICS - Information for Emerging Countries*, 19 October 2010. [http://eng.emerics.org/dportal.do?module=posts&action=list&code\\_value=0&service\\_id=2&topic\\_id=1244868&open\\_approval=N&user\\_list\\_count=0&start=0&user\\_sort=0&user\\_class1=&user\\_class2=&user\\_class3=&user\\_class4=&user\\_class5=&oldSearch\\_keyword=&search\\_target=-1](http://eng.emerics.org/dportal.do?module=posts&action=list&code_value=0&service_id=2&topic_id=1244868&open_approval=N&user_list_count=0&start=0&user_sort=0&user_class1=&user_class2=&user_class3=&user_class4=&user_class5=&oldSearch_keyword=&search_target=-1)
- . "India and Pakistan: The Economics of Co-operation and Confrontation." In *Nuclear Developments in South Asia and the Future of Global Arms Control: International, Regional and New Zealand Perspectives*, edited by Rouben Azizian. 91-104 and 309-31 (appendix). Wellington: Centre for Strategic Studies, 2001.
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Whenever the relationship with India is discussed in New Zealand, China invariably enters the conversation. There is certain inevitability to this, and is of course not unique to New Zealand. As the two most populous countries in the world, and twin historical centres of culture and civilization they are naturally compared and contrasted. They are the 'Asian Titans' whose political and military power, and economic growth, potential, and difficulties impinge on the rest of the world and cannot be ignored.<sup>1</sup>Not a day passes without frequent articles not only on each of them separately but also in conjunction. For instance both are excluded from the recently signed (but not at the time of writing ratified) Trans Pacific Partnership (TPP) and are expected to play a leading role in forging the rival Regional Comprehensive Economic Partnership (RCEP).<sup>2</sup>Similarly, articles on India's relationship with Africa inevitably make the comparison with China rather than the United States, presumably because America's interest is primarily strategic whereas India and China seek economic opportunities.<sup>3</sup>

New Zealand, along with other countries in its region, has an added incentive for paying attention to India and China. They, unlike Britain, the rest of Europe and the United States are 'in the neighbourhood' and roughly equidistant from New Zealand. China in particular has overtaken Britain and the United States in economic importance to New Zealand, and India is following suit. The same goes for immigration. Since the mid-1980s when the Fourth Labour Government changed migration policy from its reliance on 'traditional source countries' (mainly the British Isles' and established race-neutral criteria immigration from the Chinese world (i.e. including Taiwan, Hong Kong and ethnic Chinese in Southeast Asia) and from the Indian world (i.e. including ethnic Indian from Fiji) has burgeoned. New Zealand has moved from being a little Britain in the South Pacific, where the few Asians allowed in (mainly Chinese) were appallingly treated to a nation under transformation, often contested and difficult.<sup>4</sup> However New Zealand also has interesting long-standing historical links to both countries mediated largely through empire, initially the British and then increasingly the American.

Modern New Zealand was a product of the European expansion, and principally (but not exclusively) the British Empire and since India and China were so important to that process it should be no surprise that New Zealand also had numerous connections, direct and indirect. The plethora of Indian place names in New Zealand, from the Bombay Hills to the south of Auckland to the numerous streets in the Wellington suburb of Khandallah named after Indian cities and hill stations attests to the onward movement of British soldiers from India to New Zealand.<sup>5</sup> New Zealand has been embroiled in imperial wars in Asia from the

'Indian Mutiny' of the 1850s to the Korean War a century later (against China) and the military engagement continues in Afghanistan.

New Zealand's history has not merely been moulded by imperial politics but also, of special salience in this context, by Britain's development of a bifurcated relationship with India and China, where interaction with one affected that with the other and had consequences for New Zealand.

For instance, one of the pressing arguments for British acquisition of New Zealand was trade with China. Seals from the coasts of New Zealand found a ready market in China in the later 18<sup>th</sup> century but because the East India Company had a monopoly on British trade the seal trade was primarily conducted by Americans. This caused the British to be concerned about possible American possession and so the Treaty of Waitangi, which formalised British sovereignty, was a sort of pre-emptive strike.

However, it is perhaps tea which illustrates this interplay of forces most elegantly. The British developed an appetite for Chinese tea in the 18<sup>th</sup> century and this taste was carried over into the colonies, including New Zealand where it became the drink of choice amongst both Pākehā and Maori during the 19<sup>th</sup> century. It was coincidentally much advocated by the temperance movement because it invigorated without intoxicating.<sup>6</sup> However the Chinese showed no reciprocal desire for British products, an attitude exemplified by the Qianlong Emperor's rejection of the Macartney mission in 1793 as expressed in his letter to George III: 'there is nothing we lack, as your principal envoy and others have themselves observed. We have never set much store on strange or ingenious objects, nor do we need any more of your country's manufactures'.<sup>7</sup> The solution to this problem was found in British India in the form of opium and cotton. However the British East India Company was no longer content to import tea from peasant producers in southern China but transplanted tea to British possessions in South Asia where quality control on plantations produced a superior product. This was before the days of TPP and Intellectual Property Rights were not considered sacrosanct. As a result, 'by 1906, less than one per cent of tea imported into New Zealand was of Chinese origin, and from then on, nearly all tea came from the British colonies in India and Sri Lanka (then known as Ceylon)'.<sup>8</sup>

Modern New Zealand has been linked in myriad ways with India and China, singly and in conjunction, and this interaction will continue and deepen. Faced with such a broad subject this essay will focus on two aspects: firstly a brief overview of the statistics of (merchandise) trade from the New Zealand perspective and secondly a survey of people involved in the business relationship between New Zealand and both India and China. It is a skeleton and flesh approach, with the statistics providing the framework of the economic relationship and the survey giving a glimpse into its business operationalisation.

### **The statistical overview**

Trade statistics are extremely complex and there are all sorts of uncertainties and fishhooks. For instance, trade with 'China' usually excludes Hong Kong, though the former British colony, now a Special Autonomous Region (SAR) of the People's Republic of China has always been a major entrepôt for trade in and out of the Mainland.<sup>9</sup> For reasons of time and space that statistics presented here are from one side only, that of New Zealand. Statistics from the trading partner not merely provide another perspective but most important they allow a calculation of the importance of the trade under review to that country. Thus New Zealand statistics of trade with India show the importance of that trade with New Zealand (and how that changes over time) but say nothing about its importance to India. The statistics used here refer only to merchandise trade (goods) rather than the trade

in services. This is an unfortunate, if necessary omission since services, especially those based on Information and Communications Technology (ICT) are widely seen as an aspect of India's comparative advantage in general and competitive advantage against China in particular.<sup>10</sup> However, over-reliance on ICT exports and relative neglect of unemployment-absorbing manufacturing and infrastructure may well prove to be a false avenue for India.<sup>11</sup> Services are a fast-growing part of international trade, but the statistics are still under-developed and do not have the historical reach of those covering merchandise.

There are basically two forms of presenting statistics – tables and graphs – both have their uses and limitation, and both are used here. Tables are unwieldy but give detail, and allow the reader to make further use of the data. Graphs can illustrate what the writer thinks are the salient points. However they present technical problems; for instance New Zealand's exports to China rose from \$122million in 1982 to \$11.8 billion, close on a hundred-fold increase.<sup>12</sup> This is difficult to represent graphically.

Research tends to raise more questions than it lays to rest and a statistical overview of this sort might indicate questions but does not by its nature answer them. However there are occasions – the 'Tiananmen effect' discussed below where an identification of an issue readily leads to a plausible explanation.

### **New Zealand Exports to India and China**

There are tabulated in Table A1 in the Statistical Appendix. That gives total New Zealand exports for the period 1982 to 2014, and exports to India and China. The *Infoshare* online database of Statistics New Zealand gives data for total exports back to 1952 but only starts in 1982 for India and China. In one of the quirks that official statistics are prone to, the periodisation for import data is different. That starts in 1960 for total imports, and 1983 for India and China.

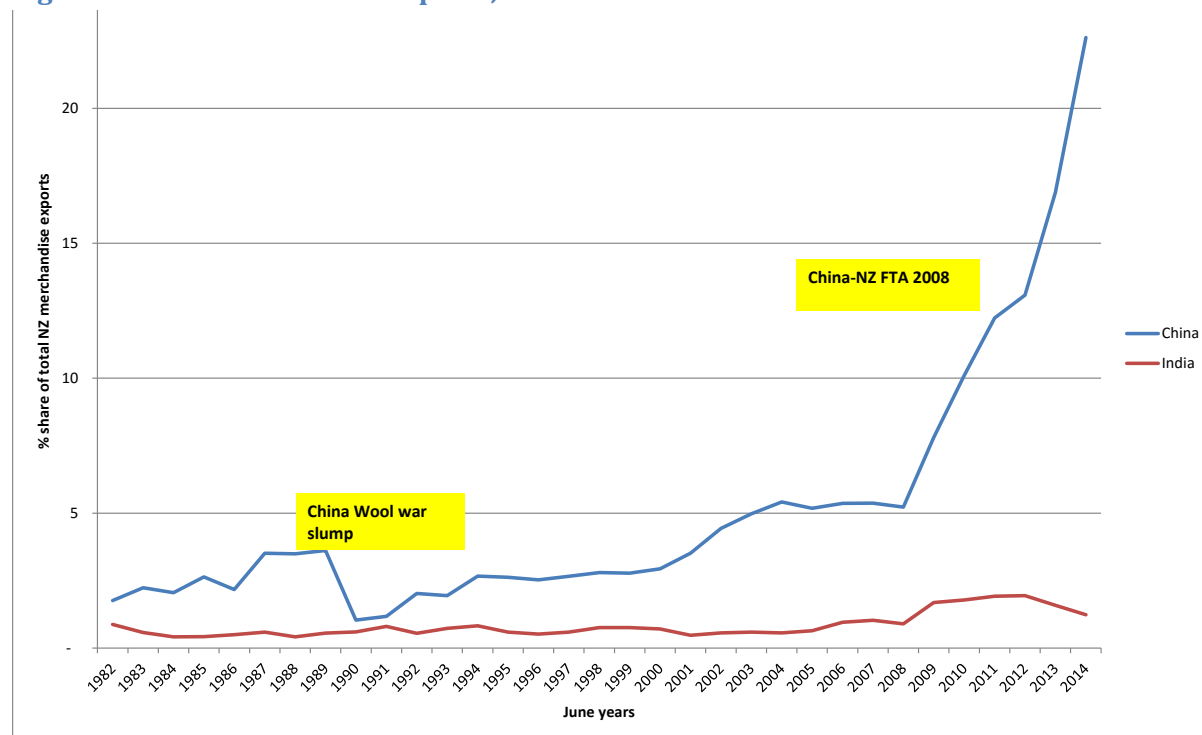
Table A1 gives value data (on a *fob* basis<sup>13</sup>) for total exports, and those to the two countries. There are three sets of calculations. Country share of total expressed a percentage; this has the advantage of circumventing the twin problem of value growth and inflation. New Zealand exports to India grew from \$61million in 1982 to \$632million in 2014. This seems huge growth, but is it really? For one thing, New Zealand exports in nominal terms – that is affected by inflation – grew from \$6.9 billion in 1982 to \$51.2 billion in 2014. Calculating the change in share brings things into perspective. India's share of New Zealand's exports grew from 0.9% to 1.2%. An increase of one third, which is considerable especially as it means that the shares of some other countries must have fallen. Not China though. China's share of New Zealand's exports surged from 1.8% in 1982 to 22.6% in 2014, an increase of over a hundred-fold. It is also useful to compare the growth of exports from a common base and this is provided by calculating index numbers. Since data for imports only starts from 1983 this year is used for both exports and imports. Finally, the ratio of exports to China compared to those to India is calculated. These calculations are replicated for imports (Table A2) and total trade (Table A3)

Fig 1 plots the shares of India and China in New Zealand exports from the June year of 1982 (i.e.1 July 1981 to 30 June 1982) to 2014. At the time of writing the statistics for 2015 are still provisional. Moreover, while imports figures show a continuing increase the export data indicate a substantial decrease across the board; that is in total exports as well as exports to India and China. This is a subject for further research so we stop at 2014.

Clearly China has been a more important export market for New Zealand than India, and the difference has increased markedly in recent years. Two events are highlighted on this graph (and subsequent ones). Firstly we see what at first sight appears to the effect of the

Tiananmen massacre of June 1989. Exports plummeted from \$540m in (June year) 1989 to \$157 in 1990, slowly recovering the next year but not surpassing the 1989 figures until 1995 (Table A1). In fact, although the US applied sanctions, mainly on military sales, the effect was quite minor and had no impact on New Zealand exports.<sup>14</sup> In fact the drop in New Zealand exports was caused by a slump in Chinese imports of wool, which was a consequence of what has been termed the ‘wool war’ in the domestic Chinese wool market in the late 1980s.<sup>15</sup>

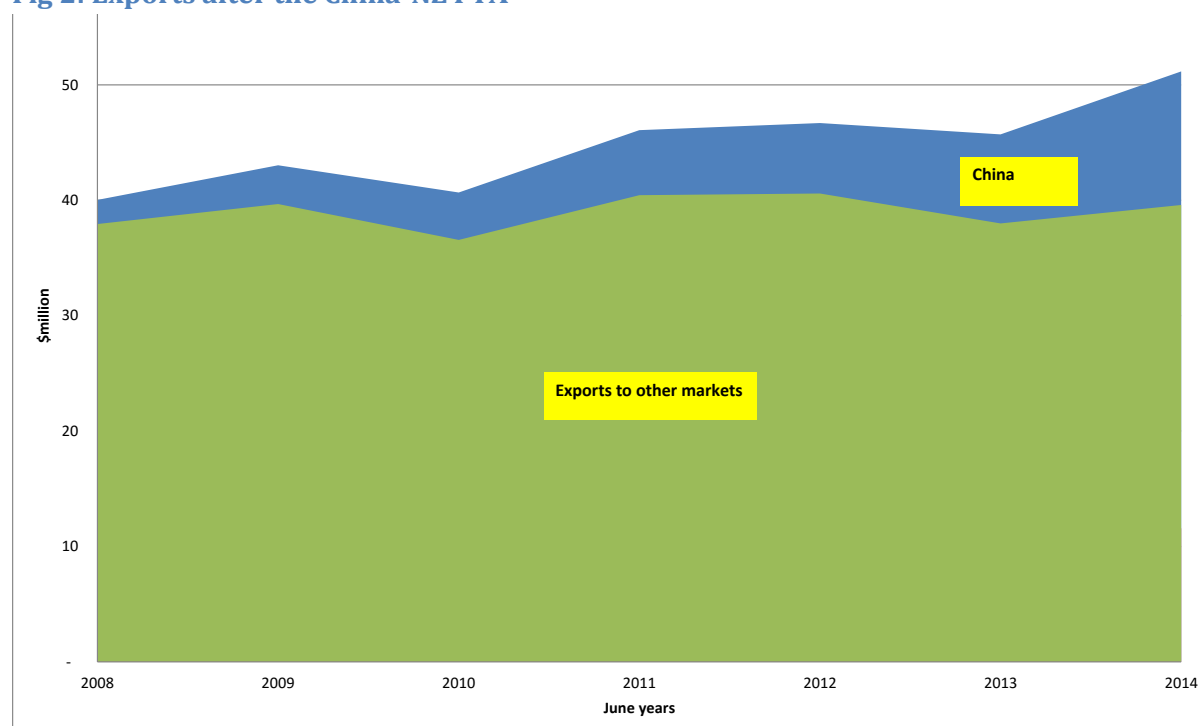
**Fig 1: Share of New Zealand exports, 1982-2014**



Source: Statistical Appendix Table A1

The second event, of more relevance to India, was the signing of the China New Zealand Free Trade Agreement in April 2008.<sup>16</sup> New Zealand exports to China climbed rapidly. In the June year 2008 exports were \$2.1 billion; in 2014, six years later, they had surged to \$11.6 billion (Table A1). Imports showed far less exuberant growth, as we shall see. Although governments, naturally, take credit the statistics do not in themselves prove causality.<sup>17</sup> Academics are still working on an assessment.<sup>18</sup> Bilateral FTAs are also trade distorting so it is possible that in some sectors India-New Zealand trade has been adversely affected by the China FTA. FTAs often work in strange ways that extend beyond mechanical matters such as tariff reductions. The South Korea-Chile FTA, for instance, saw a great growth in Chilean wine exports to Korea, but this was probably not due so much to the lowering of the tariff in wine, but on market factors.<sup>19</sup> FTAs cannot be examined in isolation but require an analysis of contextual factors, especially their stimulus to other FTAs. An FTA may produce a temporary effect which is dissipated when other FTAs are signed. New Zealand's FTA with China may lose much of its efficacy with the entry of the Australia-China FTA.<sup>20</sup>

**Fig 2: Exports after the China-NZ FTA**

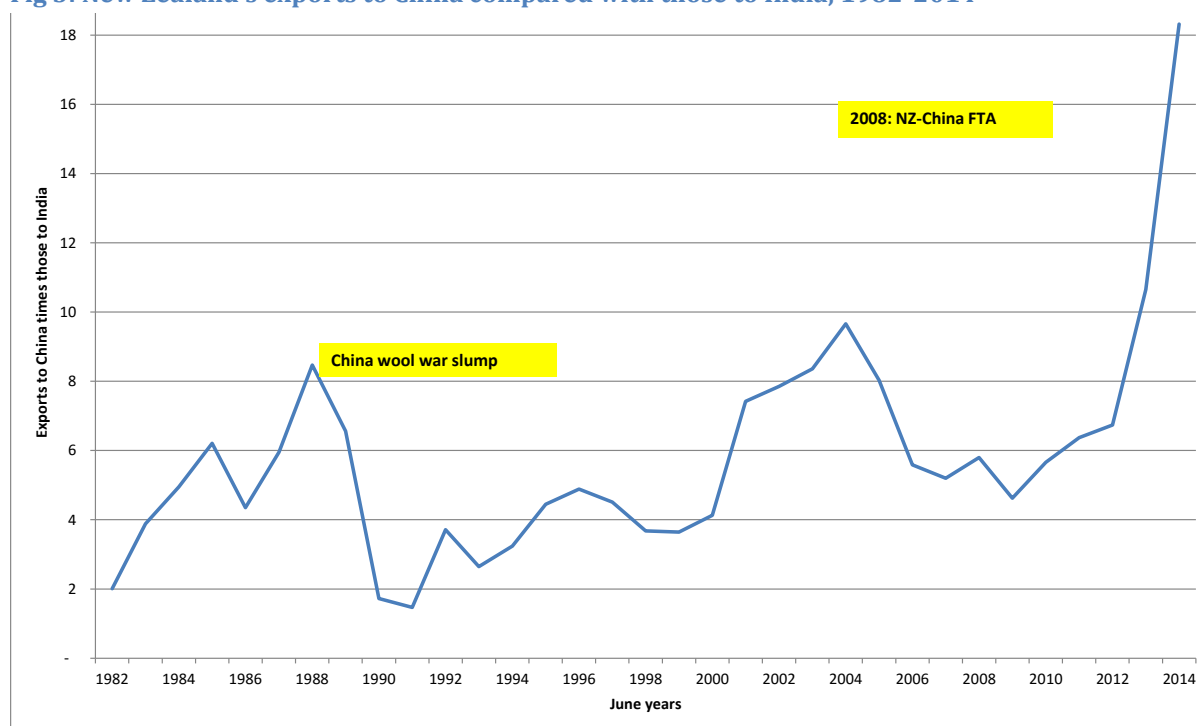


Source: Statistical Appendix Table A1

Nevertheless, the growth of New Zealand's exports to China after 2008 was dramatic as Fig 2 illustrates. Without China New Zealand's exports over the 2008-14 period were relatively static. There is a *prima facie* case, therefore, for asking whether an India- New Zealand FTA would show similar effects.<sup>21</sup> At the time of writing progress seems to have stalled; the last round of negotiations, which had been taking place at roughly six monthly intervals, was two years ago, in July 2013.<sup>22</sup> This bilateral FTA is clearly a subject of ongoing research interest which is complicated by the wider issue of regional FTAs, notably the TPP and the RCEP. These are widely seen as contesting projects for Asia/Pacific economic architecture, the TPP being US-led, with China (and India) excluded, and the RCEP being China-led in response.<sup>23</sup> The RECP, of which China, India, and New Zealand are all members, may offer a framework for expansion of India-New Zealand trade though it would be unlikely to be as stimulating as a bilateral FTA.<sup>24</sup>

Fig 3 plots the ratio of China exports to India exports over the period. Exports to China were twice those to India at the beginning of the period, but 18 times larger at the end. But the growth was far from linear. Again we see the effect of the post-wool war slump driving down exports to China, and the great growth after the China FTA.

**Fig 3: New Zealand's exports to China compared with those to India, 1982-2014**



Source: Statistical Appendix Table A1

Fig 4 takes the same data from a rather different perspective, and in doing so reveals something very interesting. Exports to India and China are calculated from a common base year, 1983, to preserve comparability with imports. We see, as before, the fall in exports to China after the wool war and the surge after 2008. The general picture is, as expected, that ultimately exports to China outpace those to India but that only happens after 2000; in that year exports to both countries are both about four times what they were in 1983. From then on exports to both markets grow strongly, with China only taking a clear lead after 2009. However, what is not apparent from the previous graphs is that exports to India fall quite substantially from 2012. As Table A1 documents, exports to India peak in 2012 at \$906 million falling to \$724 million the following year and then further to \$632 million in 2014. In that last year exports to India are 14 times what they were in the early 1980s, but China's are 65 times greater. Leaving aside the comparison with China there is still the question why exports to India have dropped so substantially. Is it a temporary fall, occasioned by something like China's wool war, or is it something more?

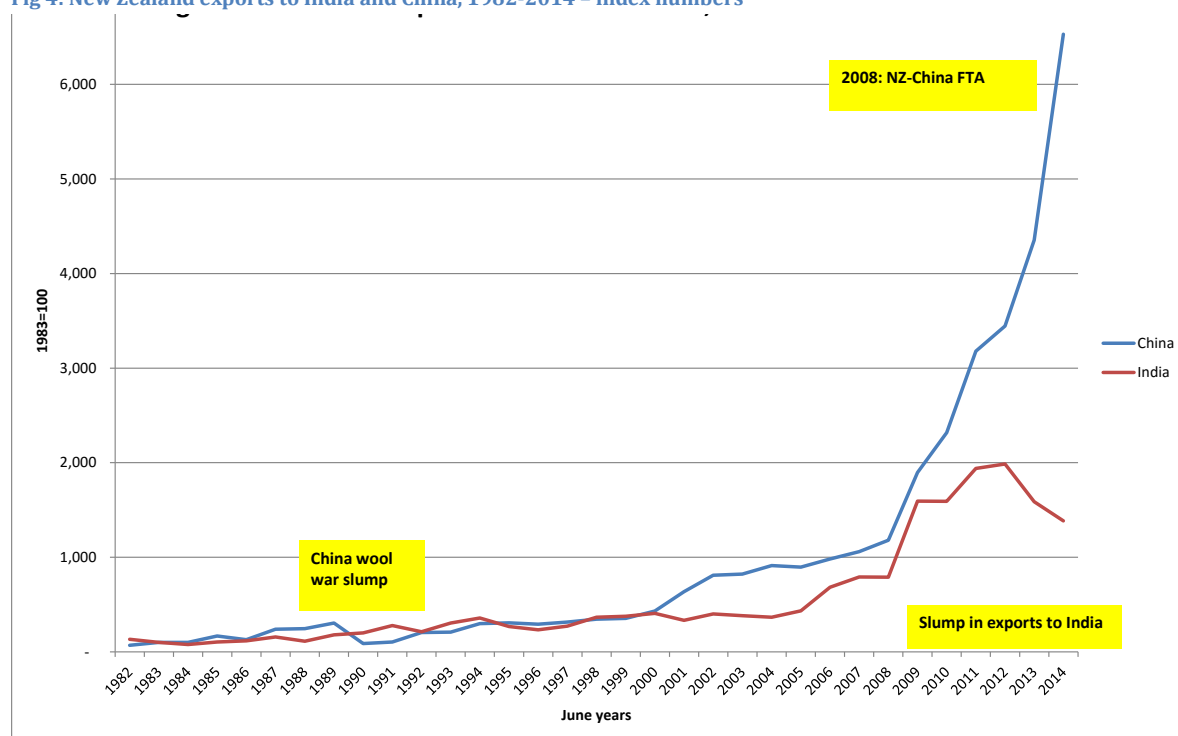
The first port of call is the New Zealand Ministry of Foreign Affairs website on the India trade, 'NZ Inc India strategy: Opening doors to India'.<sup>25</sup> Here we find something both intriguing and disconcerting. There appears to be no recognition on the site that exports to India have fallen. Moreover, we are told that the first of the six strategic goals for India is to:

1. Grow merchandise exports to at least \$2 billion by 2015<sup>26</sup>

It is unclear whether the years are calendar years, or June ones; it makes little difference since the shortfall is so great. In the June year 2015 confirmed exports were merely \$632 (as noted above) and provisional figures for the June year 2015 stood at only \$575million.<sup>27</sup> This is just over a quarter of the target. On inspection, it is revealed that the webpage was last updated on 2 February 2012. There may well be good reasons why exports have not only fallen far short of the target but have been actually decreasing rapidly. But it surely behoves the Ministry to note the facts, offer explanations (even if woven by spin doctors)

and offer suggestions to New Zealand exporters how they might do better. It seems that someone is out to lunch, and a very long lunch at that. Again a subject for further research.

**Fig 4: New Zealand exports to India and China, 1982-2014 – index numbers**

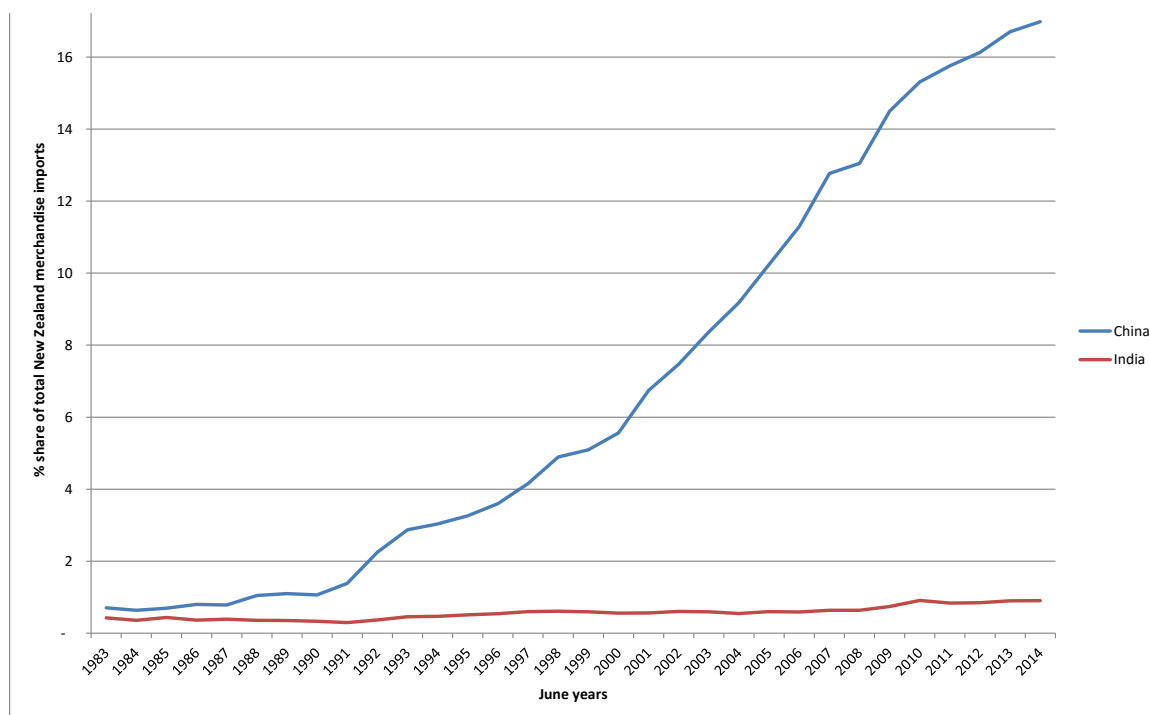


Source: Statistical Appendix Table A1

### New Zealand Imports from India and China

Our discussion of exports has covered many of the salient points, so this section is shorter. Firstly as before, we look at share of New Zealand trade, in this case imports (Fig 5). The message is clear. China has been a more important source of imports to New Zealand than India over the period and the gap has widened.

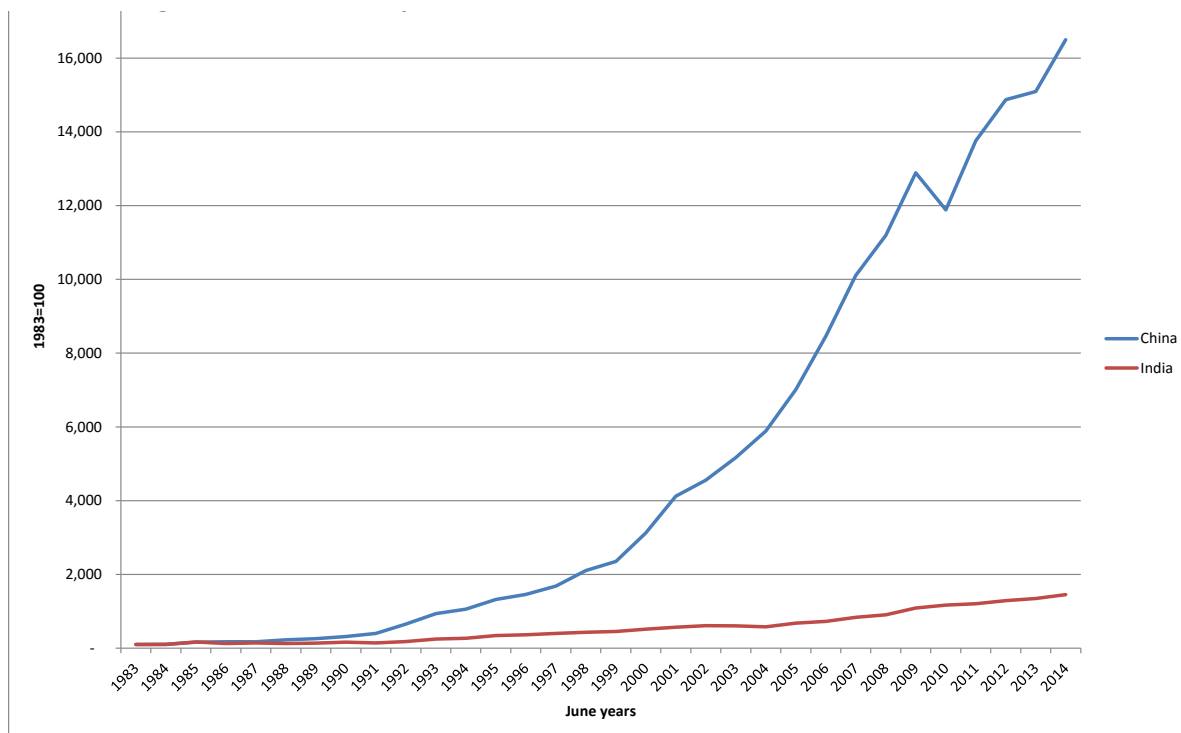
**Fig 5: Share of New Zealand imports, 1983-2014**



Source: Statistical Appendix Table A2

Fig 6 plots index numbers, slightly altering the sequence in the previous section. Again it seems there is nothing to note except that China has been a more important source of imports.

**Fig 6: New Zealand imports from China and India, 1983-2014 – index numbers**

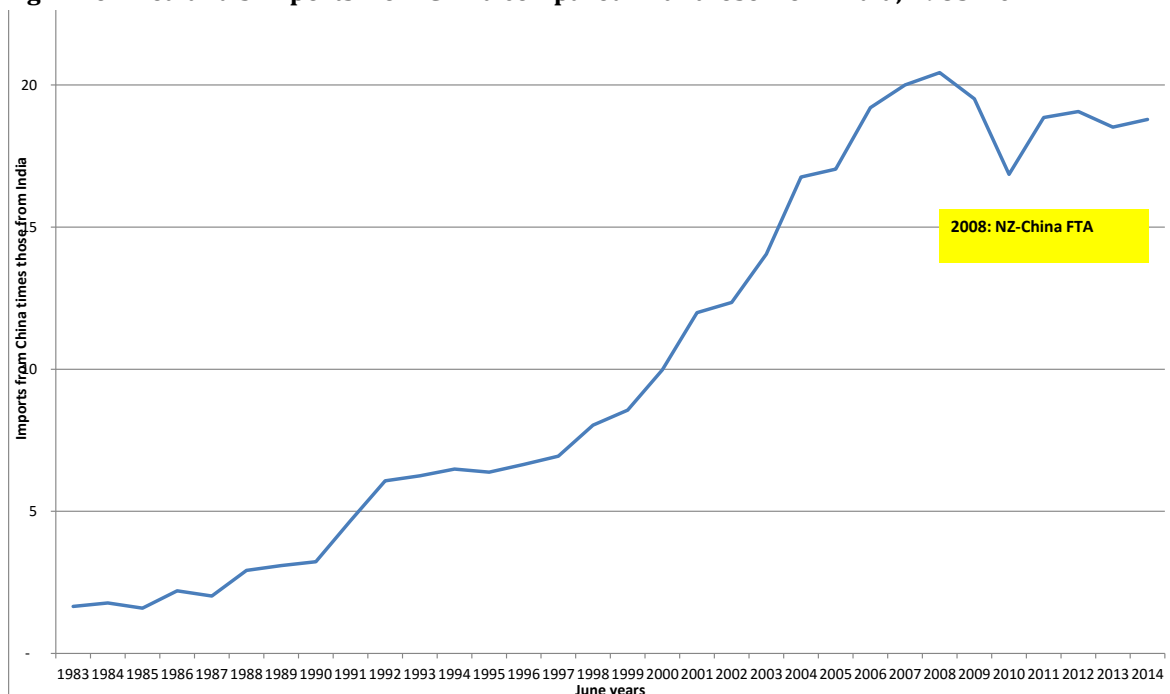


Source: Statistical Appendix Table A2

The third graph alerts us to something interesting.

Fig 7 plots New Zealand's imports from China compared with those from India.

**Fig 7: New Zealand's imports from China compared with those from India, 1983-2014**



Source: Statistical Appendix Table A2

Imports from China outstrip those from India in a fairly linear fashion until 2007 when turbulence sets in. The ratio drops, rises, then steadies. However, on closer examination it

is clear that what is important here is not the relationship between New Zealand trade with China and India, but that between New Zealand and China, and specifically the balance of trade.

Fig 8 brings this out very clearly. The data is documented in Table A4. India trade with New Zealand was pretty much in balance until about 2006 when it starts moving, with some fluctuation, quite distinctly in New Zealand's favour, that is New Zealand's exports to India are greater than imports. The pattern with China is different, and more dramatic. In the early years there is a slight balance in New Zealand's favour but from the early 1990s onwards the trend is distinctly in the other direction. From roughly 2000 through to 2012 the trade is firmly in China's favour. In 2008 the New Zealand deficit with China hits \$3.4 billion. Then the tide turns and by 2014 there is a surplus of \$3.5 billion.

FTAs are sold to the general public, to the elite, and to business interests on the grounds that they are of 'mutual benefit'. In an agreement signed between New Zealand and China in 2004, in the process of negotiating the Free Trade Agreement, we get the sentence:

Recalling the commitment by Prime Minister Helen Clark and President Hu Jintao to formulate a Trade and Economic Cooperation Framework on the basis of the principles of equality, **mutual benefit** and respect, complementarity and cooperation [Emphasis added].<sup>28</sup>

New Zealand Trade Minister Tim Groser waxed poetic when, on the defensive during the TPP negotiations, he attempted to assuage public concerns by arguing that despite 'ugly compromises' on specific issues there would be mutual benefit in general:

"It's got the smell of a situation we occasionally see which is that on the hardest core issues, there are some ugly compromises out there.

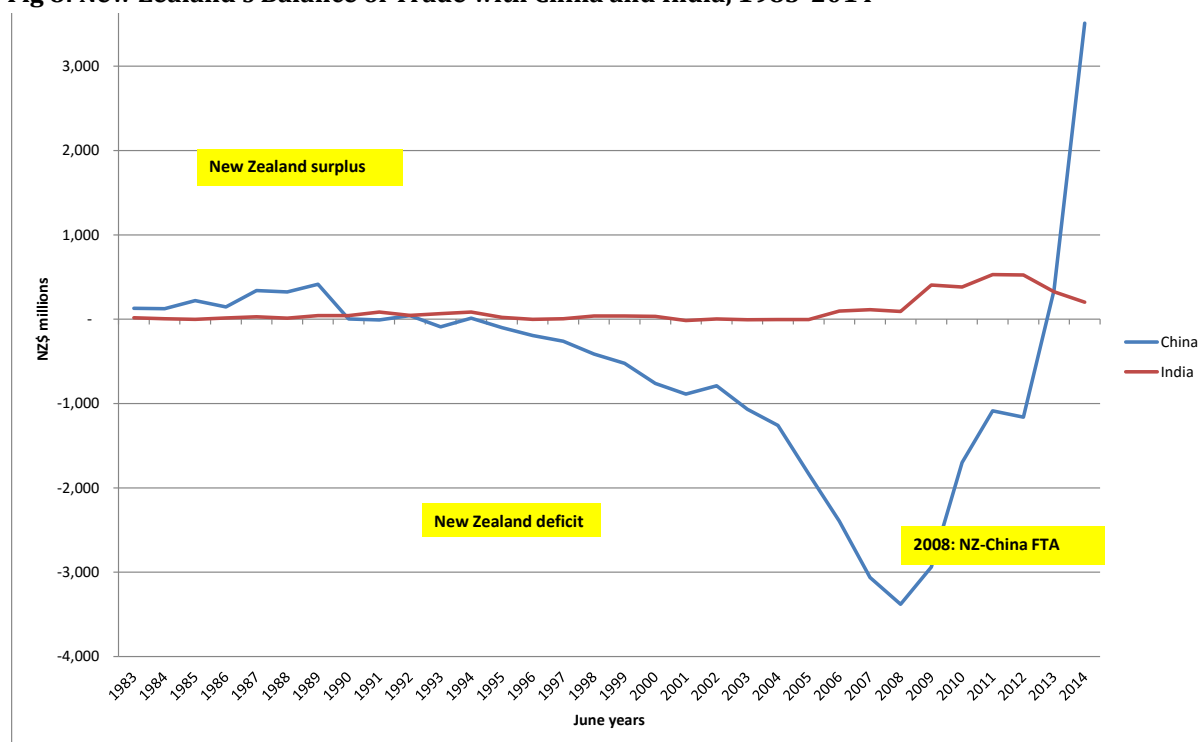
"And when we say ugly, we mean ugly from each perspective - it doesn't mean 'I've got to swallow a dead rat and you're swallowing foie gras.' It means both of us are swallowing dead rats on three or four issues to get this deal across the line."<sup>29</sup>

That may well be so for trade negotiations on the whole but it appears that in case of the NZ-China FTA so far New Zealand exporters have been eating foie gras and their Chinese counterparts have been left with the dead rats. This may be temporary, but the change in the balance of trade since the signing of the FTA is pronounced. Was this anticipated? We do not know, but the suspicion is that the Chinese side was not much concerned and was prepared to err on the side of generosity.

New Zealand had already achieved three 'firsts' with China, as the *People's Daily* put it during the negotiations:

New Zealand has accomplished "three firsts" in its relations with China in recent years: it is the first developed country to conclude a bilateral market access agreement with China for its entry to the World Trade Organization; the first to recognize China's status as a market economy and the first country to enter FTA negotiations with China.<sup>30</sup>

**Fig 8: New Zealand's Balance of Trade with China and India, 1983-2014**



Source: Statistical Appendix Table A2

With the signing of the FTA New Zealand scored a fourth 'First'.<sup>31</sup>

From the Chinese perspective New Zealand was very attractive as the first developed FTA partner. It had political status as a developed market economy, but its economy was so small that concessions would not hurt very much, especially in the context of the (then) fast-growing Chinese economy.

However, with India the political and economic calculations are likely to be rather different. It may be that the reasons that the India-New Zealand FTA negotiations have stalled is that the Indian negotiators have seen what happened in respect of China and are driving a much harder bargain.

### Composition of New Zealand's trade with China and India

Whilst the value of trade is important the composition is in many ways much more informative because it sheds light on the economies of the two partners, although not as clearly as it once did. In the past trade tended to have a distinctive colonial complexion. The imperial metropole would send manufactures to subordinate countries, formal colonies or otherwise, and it return would import raw materials for its industry and foodstuffs for its workers. The situation today is much more complex. First many developing countries have now surpassed the metropolises in certain sectors at least of advanced industry. The Chinese now tender for high speed railways (HSR) and nuclear power stations in Britain, and both China and India are ahead of Britain in space exploration.<sup>32</sup> At the same time there has been a globalisation of production whereby the metropole's products, over which it still has IPR and brand rights, are often manufactured either in the target country (thereby dropping out of trade statistics) or in a third country, thereby obfuscating those statistics. The situation is further complicated in the case of New Zealand, which grew up in a colonial trade relationship with Britain, exporting wool, dairy products and sheep meat,

and that pattern still continues to a large degree today, with 70% of exports being primary products.<sup>33</sup>

This section has two summary tables in text, with six more detailed tables in the Statistical Appendix. Firstly, in Table 1, we look at New Zealand's five main exports to China and to India in the June year 2014. This is supplemented in the Statistical Appendix by tables A5 and A6 which document the twenty top exports to China and India respectively, over three years 2012-4 and by Table A9 which presents the top 20 exports to both countries, side by side, in order of Harmonised System code; that enables the composition of exports to both countries to be compared, and reveals which products are exported to both.

**Table 1: New Zealand's top five exports to China and India, 2014**

China				India			
Code	Description	NZ\$m	%	Code	Description	NZ\$m	%
0402	Milk powder	5,309	45.9	4403	Logs	212.3	33.6
4403	Logs	1,849	16.0	9809	Confidential items	186.3	29.5
0204	Sheep meat	810	7.0	5101	Wool not carded or combed	43.7	6.9
0405	Butter and dairy spreads	419	3.6	9019	Mechano-therapy and massage appliances	23.0	3.6
5101	Wool not carded or combed	386	3.3	7204	Ferrous waste and scrap	21.3	3.4

Source: Statistical Abstract Tables A5 and A6

As Table 1 shows, New Zealand exports to both countries can be roughly divided into three. There are products which are basically industrial inputs, which will be used for further processing. Logs and wool to both countries top this list, along with ferrous waste and scrap to India. Then there are products which are aimed at the urban middle class, mainly here in China – milk powder and butter and dairy spreads. The two products which fit into this category for India's top twenty (Table A 6) are perhaps 'Apples, pears, and quinces' and 'Fruit nec' [not elsewhere classified]. With dairy products being so much more a part of the traditional Indian diet than that of the Chinese, who historically regarded milk as a food fit only for babies and barbarians (i.e. the pastoralists of the steppes) it is no surprise that their import has been resisted to protect Indian producers. Finally there is the intriguing category of 'confidential items', that is products which for reasons of 'commercial confidentiality' are not described; see the glossary at the end of the Statistical Appendix for the official definition. What this covers, and why it is so prominent for India is a mystery. Another subject for further research. Table A9 shows that there are five items which are among the top twenty exports to both countries:

- 0801: Fruit nec
- 4102: Raw sheep or lamb skins
- 4403: Logs
- 4705: Combined chemical and mechanical wood pulp
- 5101: Wool not carded or combed
- 9809: Confidential items

Apart from 'confidential items' these are all industrial inputs which are what one might expect economies such as China and India to import. Whether New Zealand should be exporting raw materials such as logs without transforming them into value-added products is another matter which demands much more research.<sup>34</sup>

Table 2, examining the top five imports is more revealing. There are the traditional developing country exports of labour-intensive textiles - Women's or girls' suits (China) and Bed and table linen (India). Then they are products which seem typically Indian – 'Precious

metal jewellery’ and Diamonds. From China we get, as leading imports, consumer electronics as we might now expect. To what degree these are Chinese brands such as Lenovo and Huawei, or foreign brands such as Sony ‘made-in-China’, we cannot tell from the statistics. However, what is unexpected is the third ranking item on the Indian list – Motor vehicles.

**Table 2: New Zealand’s top five imports from China and India, 2014**

China				India			
Code		\$m	%	Code		\$m	%
<b>8471</b>	Computers	742.8	8.8	3004	Retail medicines	51.4	11.4
<b>8517</b>	Telephones and cellphones	630.6	7.5	7113	Precious metal jewellery	23.5	5.2
<b>9403</b>	Office, kitchen, and bedroom furniture	174.8	2.1	8703	Motor vehicles	21.6	4.8
<b>8443</b>	Printers, photocopiers, and facsimile machines	164.4	1.9	7102	Diamonds	16.4	3.6
<b>6204</b>	Women's or girls' suits	159.1	1.9	6302	Bed and table linen	15.9	3.5

Source: Statistical Abstract Tables A7 and A8

Again these can be foreign brands now manufactured in India, such as Nissan and Hyundai.<sup>35</sup> However, it seems likely that these imports are of Mahindra ‘utes’ and cars.<sup>36</sup> Mahindra tractors have been on the New Zealand market for some time but recently the Indian conglomerate has been exporting utility vehicles and cars to New Zealand, so much so that one excited journalist wrote ‘Mahindra to be next big thing in NZ motoring’.<sup>37</sup> This raises two questions for further research. Firstly, is this hype justified; will Mahindra be a big player in the New Zealand automobile market and what effect will this have not merely on the trade relationship, but on New Zealand perceptions of India? Secondly, where are the Chinese? China has been the largest market, and largest producer, of automobiles for some years.<sup>38</sup> Back in 2009 a journalist proclaimed in respect of Chinese vehicles in New Zealand ‘The Chinese invasion is just beginning’ and yet little seems to have happened.<sup>39</sup>

Currently, India and China share only four items in New Zealand’s top 20 imports from them (Table A10) and they are all symbolic of an earlier ‘developing country’ trade profile:

4011: New pneumatic rubber tyres  
 4202: Trunks and cases  
 6204: Women's or girls' suits  
 6403: Rubber, plastic, or leather footwear with leather uppers

That was yesterday’s trade – tomorrow’s is on its way and will look different as such production is shifted to other countries and more and more imports from India and China will be high-end and high-tech, whether of foreign brands or indigenous ones.

As promised, this overview of the statistics of New Zealand’s trade with India and China has tended to identify issues, rather than offer any definitive explanations. For that further research is necessary.

In the meantime we turn now to the opinions of those involved in New Zealand’s trade with both countries to give another perspective on the issues. The first section has presented quantitative data on merchandise trade; this next section complements that by looking at qualitative data on services.

### **Voices from the field**

The quotations in this section are sourced from a large research project entitled *Service Success in Asia*. The project, subtitled ‘Building a sustainable competitive advantage for New Zealand service firms in Asia: Spotlight on China and India’ was funded by the New

Zealand Foundation for Research, Science and Technology and involved a team of research from New Zealand led by Val Lindsay of Victoria University of Wellington.<sup>40</sup>

It should be stressed that what are presented here are *perceptions* of members of New Zealand companies involved in business in both countries. Opinions, of course can be wrong, sometimes quite markedly so. For most of history the overwhelming consensus has been that the Earth is flat. Even when perceptions are not so definitely at variance with objective reality they often say more about the perceiver than the perceived. In any case, perceptions are important because, right, wrong or somewhere in between, they are the basis for action.

One interesting and important example of a perception that is contradicted by objective data is the opinion that the middle class in India is much greater than that in China:

*“India already has a bigger [and] more wealthy middle class [than China].”*

However the statistics indicate quite a different picture. The Pew Research Center published an analysis of World Bank data in July which, they claimed, showed that ‘China’s middle class surges, while India’s lags behind’.<sup>41</sup> The 2015 *Global Wealth Report* of the Swiss banking group Credit Suisse estimated that the middle class in China numbered 115 million, in second place behind the United States with 122 million. India’s middle class, though growing fast (but still slower than China’s) was 26 million.<sup>42</sup> This particular company is focussed on middle class consumers, and yet they got their estimates of market size spectacularly wrong. Why? At this remove we can only speculate but it would seem that this was a very subjective assessment, based more on identity than socio-economic classification. ‘Middle class’ means ‘people like us’. For a monolingual New Zealander India is much more ‘like us’ than China; there is the wide-spread use of English, especially in business, the common legal system inherited from Britain, and the symbol par excellence – cricket. This is a point reiterated by many respondents. The company respondent saw more middle class people because she, or he, came into much more contact with people who spoke English, and knew about cricket, in India than in China.

This raises the more general issue of how well New Zealand business people do their research about India and China, and how much knowledge they have of the markets. There is an indication that there is an undue and unreflective reliance on New Zealanders of Indian or Chinese ethnicity, a subject we have touched on elsewhere.<sup>43</sup>

India and China have much in common. Size, both in terms of population and to a lesser extent economy and land area, and cultural importance stand out. They are both multicultural countries with a large and widely-dispersed diaspora with links back to the home economy, and this makes it impossible to say with precision what an ‘Indian’ or a ‘Chinese’ is. Within this commonality of complexity there are great differences.<sup>44</sup> All this presents a daunting challenge to a New Zealand businessperson, whose education despite all the talk about ‘Asia literacy’ of the last couple of decades does not provide an adequate knowledge foundation for tackling these markets.<sup>45</sup> New Zealand companies tend to be small and under-capitalised, lacking resources for markets which demand a long term penetration. Despite all this, New Zealand businesspeople display remarkable initiative and determination. Coming from an unpretentious culture they tend to carry less baggage and have more empathy. The quotations below illustrate some of these characteristics.

These are taken from transcripts of recorded interview and so preserve the spontaneity and roughness of spoken speech. They are often ungrammatical and no attempt has been made to edit them into polished form since the meaning is clear. For reasons of confidentiality

neither the company name nor industry is identified. They are grouped into eight broad categories:

1. Culture and society
2. Governance
3. Product market difference
4. Infrastructure
5. Regionalism, diversity and identity
6. Investment and building relationships
7. Economy, growth and the middle class
8. The New Zealand dimension – role and image of NZ government, 'NZ Inc.', and attitudes towards overseas business

Obviously these categories are not watertight and some quotations straddle two or more. For reasons of space no commentary is provided, though that is tempting. They are presented rather in an unadorned form to give a flavour of the very complex (and sometimes confused) perceptions of New Zealand businesspeople tackling this complex markets. Again it is hoped that this will encourage younger researchers to delve deeper into this important, challenging, and intriguing subject.

## **Perceptions of New Zealand business people regarding a comparison between India and China**

### **Culture and Society**

*Language, sport (cricket), education*

We started doing designs for them, and it was a pretty good piece of work. And right at the start we could see that it was just not going to happen. And I felt then, because I didn't understand the Chinese language, and I wanted to have my interpreter there, and we were busy in our office doing New Zealand work, and now we had India work - we decided that China was too difficult at that time and we let it go.

But India you know may well be better in the longer term. India already has a bigger more wealthy middle class. India's education standards are massively ahead of China.

So I think you'll find, in fact we've got more in trepidation in China purely because of the language complexities and the legal system complexities whereas India is quite easy to understand.

One of the issues is about language difficulties and I think that is a key difference from what I understand between India and China.

Well I think India in some ways I think may be easier to get into for New Zealand in some ways than China. I mean it's a bit of a, it's a work in progress really isn't it's hard to say but I think there is burgeoning economy there with a lot of disposable income and I think there are, New Zealanders are identified with quite well in India because we play cricket and some of these things.

In India there's such a strong family connection. Whereas I think with students from China the families are much more comfortable with sending students out when they're younger." (Lincoln)

"From India, they come down on bank loans rather than, in China where they're coming from family funding.

## Governance

*Legal system; Chinese Communist Party; way of doing business, corruption, Intellectual Property Rights*

India's been, well as we all know an open economy a lot longer than China." (Pan Pacific Travel)

The democracy in China obviously doesn't exist - it's a communist state albeit with very westernised capitalistic tendencies coming in at the economic level. Indian love telling us that India is the world's largest democracy.

If you want to do business in India, you have a government department, which is very helpful. It's English law there, so it's all pretty easy. This is one of the issues you have with China. I mean, it's a bit of a minefield there sometimes, if you're not careful. But in India, although everything happens very slowly, at least it is based on English law, and at the end of the day, you know where you stand.

There is a hierarchy in India whereas China they can't be seen to have one. They're all the same.

There's a lot of talk about China being a difficult market. I don't think India is any easier.

In India we want to build a new motorway it doesn't happen because corruption stops it. Corruption takes the whole, all the money right. That tends to be the Indian story and in China less so, corruption is basically appears to me in China to be a tax right. In China I think the regime ultimately says, well, you know, we signed off on a motorway and we want to know why the motorway wasn't built. In India, it wasn't built and it's all too bloody hard; the money has gone somewhere and it's all too difficult for someone to ask the question, so the problem just goes away.

Part of the issue that I've certainly experienced in dealing with India is that they're slow in paying, and that things tend to go wrong for some reason or another. You know there's a customs stop, they're looking at this thing. Now often that means they want money. In China, at least they're blatant about it. This is the situation, we need to do this, so it will cost. But in India, there's still a huge Anglo Indian bureaucracy where people are just used to everyone still having the rubber stamp and passing it along the way, and if someone doesn't get their little bit it doesn't go any further.

The story goes... when you're doing business in China you know you need to put the money under the table; when you're doing business in India, you need to negotiate the table as well.

I think India is way better on copyright than China. Better and better in terms of enforcement. It's way better than it was five years ago. Their prosperity is on the rise as well, so perhaps that's something that helps.

My experience dealing with Indian clients is it's - I was going to say corrupt - but their business dealings involve middle men, it's hard to get past that you know and the old paying for services, backhanders and all of this. The experience we've got there is that appears to be more difficult [than China].

Having the right person, I think that's the challenge. That's a huge challenge in both India and China. In India, especially, you need the right person with the right personality, with the right attitude.

I find India much more kind of intimidating. I mean the, particularly the street level poverty and the begging and those kind of things which is absent, completely absent

in China. I mean there is you know very little concern about personal safety and all of those things as you wander the streets late at night whereas I don't think I'd do that in India.

From a New Zealand company point of view India is a much, much easier to do business than China. And it's always interested me that there is so much interest in charging off to China and it's way more difficult than doing business in India.

## Product Market Differences

*Differences attributable to a specific industry rather than generalizable over the country as a whole*

A difference in India is I would say that the counsellors, not the bosses but the other people who are working with students, can change a lot and so there's not such consistency and knowledge about us. So we feel like we are constantly renewing that message about our own institution. I guess that's a major difference. The pressure on agents in India is huge. People want from people who apply. They want immediate responses and they will just hound agents so in turn agents will hound us. We will get email after email after email and that's quite different from how we work with people in China." (VUW)

"The students from China and India are completely different from each other. For Ag and Ag-Science, India its really very, very good, particularly in research-related programmes. Whereas for China the students are much more in the general commerce and non science programmes.

There's got to be some specific key IP wrapped up in there otherwise they just won't have a chance. They will just be too expensive. The issue is even more marked in India than China, because the wage rates are still lower. And India's pretty good at certain things as well. So, for example, if you're going to export IT services to India, you're probably onto a hiding to nothing because they're the world leaders.

The drivers in the Indian market are quite different from China. In China where people have one, families have one child and really the possibilities for people going back to work in Beijing or whatever are so much greater than they are by staying here whereas in India the driver is migration very much at university level.

Well I think the recognition of our degree qualifications would be important in India in the same way we now have the China recognition by the MOE China. We don't have any organisation within India which official recognises our degrees apart from the generic recognition of NZQA approval and accreditation which is international and have a specific recognition in India would be important to us. The Chinese government has supported that process I think a lot more actively than what we see in India.

## Infrastructure

It is easier to get around in China than it is in India.

China has some very, very competitive prices for all sorts of things. You know good infrastructure so very good airlines in China, lots of choices for getting from there to there, whether it's a train or a flight or whatever. Good hotels, very good service can be very, not expensive at all. All sorts of things work and in India a whole lot of that infrastructure's not straightforward and it's very costly. India is hard work.

Just one little thing that's for student for recruitment is flights into New Zealand and the fact that Air New Zealand in some cases has not been, I mean they've certainly put a focus on China which is really good, but India we've got no flights from India. And we, we are fortunate that Singapore Airlines flies into Christchurch.

But you know those kind of things are actually really, really important when a student's thinking of coming to New Zealand. If they can fly direct.

I mean China is very competitive but at the same time it's very exciting to visit and it's quite easy to get around compared with India.

## **Regionalism, Diversity and Identity**

... an Indian is not an Indian and a Chinese is not a Chinese ... so it is not as simple as going to China or India.

So in India, if they can fix the warring states, if they can fix the logistics issues, which are not trivial issues, the opportunities are there. China's tends not to have these problems – they've had a massive advantage being a commanded controlled environment.

In India it's still more of a craft based environment with a lot more owner operators. A lot more localised activity but again that's you know as you'd well understand the pace of change in India is just phenomenal, and I would imagine in five years time it's going to be on par with where China is at.

Yes, India is much more diverse and fragmented than China. It's much more diverse. It shows itself even just on the currency - they've got 40 different languages written on the one rupee, for example. In China the population is, I think, 97% Han Chinese - it has a much more homogenous approach to everything.

In India, it's marked but it's obvious in that it is actually legislated you know it's actually there to be seen that there is a difference between say Uttarpradesh and Maharashtra there was actually a different legislation. In China there's no different legislation there's just this who societal difference that says you know we're not actually going to obey what Beijing says.

And so the Chinese just have a phenomenal ability to turn stuff on and off and you know having it's completed now but they did have what was it two and a half trillion of cash on hand. They've got an amazing ability to spend stuff. Whereas the Indians are still largely doing state by state. The federal government has some mandate to build that ring road around the country but you know it runs into problems everywhere they go and you can't build it here because of this, you can't build it here because of that.

There is no other place like India in the world. It's absolute bloody chaos and it hasn't changed and never will change and the contrast to China, where the populations are the same, is that China's organised and structured.

## **Investment and building Relationships**

*The move from hands-off exporting to long-term, sustainable relationships*

And I mean we, New Zealand businesses, I mean exporting businesses, need to be either investing or co-investing with locals to get a piece of the pie up there. I mean the days of exporting like we're trying to do in both those markets [China and India] right now, from here with the visits to the market and getting calluses on your hand from your briefcase - they're gone, it's too hard, it's too hard.

I mean China's doing the same but not to the extent and rate that India is doing the interfacing more and more with western companies. So for India, it's about legitimacy and so you know building relationships with suppliers is equally important, building relationships with customers. And to maintain that legitimacy piracy is not something you're wanting to do you know.

In my opinion the basic difference between doing business in China and doing business in India is that India is all about relationships - if they trust you they like you. It takes a long time to build that but if they like you, you have them forever. In China it's a bit of relationship but it's all about money, the commission. In India, I'm not saying nobody wants money. Definitely they want money. But that's not the key driver, commission is not the key driver.

India's very much a relationship, very much a relationship deal. Chinese, I think the Chinese are more transactional. I think it's purely a case of money.

It comes down to a level of trust, in terms of being a western company. There is a level of mistrust of you in China, whereas, I think, in India there's an element of, are you going to make it or are you going to run the distance - but there's no level of mistrust.

## **Economy, Growth, Middle Class**

Just a quick comment on opportunities. I think what's a stand out for both China and India for us is the growth in middle classes and good prospects for economic growth. These are going to be the building blocks of valuable potential future markets.

The growth China is more widespread and the growth in GDP is from an economic base which is manufacturing centric and export centric. We're seeing India put an awful lot of energy into the growth of services, more so than manufacturing as concurrent streams.

India, which has followed China in many ways, is about ten years behind and we can track the parallels and also the differences.

In advanced software, China is still another two or three steps behind India.

I think there's probably been a lot more change in China than there has in India. You know really up until recently I think China hasn't really been a student education market for many countries because students always stayed at home whereas India have been going to US and UK for years and years and years.

## **The New Zealand dimension**

*NZ government, NZ Inc; NZ attitudes towards overseas business*

There is a whole lot of negativity around another overseas trip. People say "you're away on another junket".

"New Zealand is seen as quite neutral and we're not seen as a threat and I think that helps. We're seen as very, very well in India and China. So that neutrality is actually really important to us.

[New Zealand] is looked on as a fair player in many corners of Asia. Whether it is China or India, [New Zealand] is sufficiently small and stands up for the right things and does not lecture to people.

I think NZInc does work quite well in both these environments (India and China) in terms of fostering private sector participation and helping them to find opportunities and connecting them with networks in going to actually do new business.

India and China are very, very difficult markets and we would much rather learn with other New Zealand companies and share and pool our learning and if we can go into those markets with collaborative activities we think that's going to be a smart way of learning much quicker than we normally do.

## Conclusion

India and China have been described as twin peaks on New Zealand's horizon. This is a fair metaphor but should not be taken to imply stability and the old cliché of the 'timeless Orient'. On the contrary as we have seen, there has been immense change both in these countries and in their importance to New Zealand. New Zealand, too has changed greatly but arguably not as much as either India or China. We are still struggling to come to terms with the new world order, particularly the rise of China.

Within the changes there are also, of course, continuities. A traveller who had been to all three countries in the 19<sup>th</sup> century, returning now, would be amazed at the transformation but would surely still recognise which country was which. Technological, social and political transformation, and globalisation, proceed but national characteristics linger.

This historicity gives enduring value to research however inadequate. We can only understand the present, and attempt to predict the future, if we are aware of the past. Research is never definitive. There are always time and resource constraints, as well as human limitations. This essay has raised many questions for further research, and future researchers.

Moreover, since the subject is continually changing it always necessitates revisiting. To take just one example. Centralisation and decentralisation is a fundamental, unresolvable issue in any system, from the global politico-economy, through nation states to organisations, including universities. India is widely seen as more ethnically and linguistically diverse than China and, for historical reasons, has a more devolved political structure than China; it is, after all, a union of states whereas China is a state with provinces with varying degrees of autonomy. China is by no means a monolithic as many believe but it is more unitary than India, as so also is New Zealand for that matter.<sup>46</sup> A number of the respondents quoted above comment on, and bewail, the fragmentation of India. However, as Peter Drysdale the distinguished Australian economist notes, a core part of Prime Minister Narendra Modi's new economic policy is to devolve more power to the states.<sup>47</sup> This may well stimulate the economy, but it is likely to make matters more complicated for foreign businesspeople. How will New Zealand business cope with the change?

Small companies may have to choose between India and China but large companies, and New Zealand itself, has to tackle both. It is, of course, not exclusive to New Zealand. On the contrary it is an issue that is replicated in countries around the world. <sup>48</sup> How well this is done by New Zealand will depend to some extent on the knowledge that academic research can provide.

## Statistical Appendix

**Table A1: New Zealand's exports to China and India, 1982-2014**

Values in \$m, shares of total exports and exports to China compared to those to India;  
Index: 1983=100; June years

	Total		China		India		China/India	
	\$m	\$m	%	Index	\$m	%	Index	times
<b>1982</b>	6,940	122	1.8	69	61	0.9	134	2.0
<b>1983</b>	7,935	177	2.2	100	46	0.6	100	3.9
<b>1984</b>	8,624	177	2.1	100	36	0.4	78	4.9
<b>1985</b>	11,316	298	2.6	168	48	0.4	105	6.2

1986	10,572	230	2.2	130	53	0.5	116	4.4
1987	12,107	425	3.5	240	71	0.6	157	6.0
1988	12,452	435	3.5	246	51	0.4	113	8.5
1989	14,905	540	3.6	305	82	0.6	180	6.6
1990	15,164	157	1.0	89	91	0.6	200	1.7
1991	15,772	186	1.2	105	127	0.8	278	1.5
1992	17,840	361	2.0	204	97	0.5	214	3.7
1993	18,971	368	1.9	208	139	0.7	305	2.6
1994	19,827	529	2.7	298	163	0.8	358	3.2
1995	20,790	545	2.6	307	123	0.6	269	4.4
1996	20,546	520	2.5	294	106	0.5	233	4.9
1997	21,033	560	2.7	316	124	0.6	272	4.5
1998	21,941	614	2.8	347	167	0.8	366	3.7
1999	22,582	626	2.8	354	172	0.8	377	3.6
2000	26,111	766	2.9	432	186	0.7	407	4.1
2001	32,000	1,126	3.5	635	152	0.5	332	7.4
2002	32,332	1,434	4.4	810	183	0.6	401	7.9
2003	29,291	1,457	5.0	822	174	0.6	382	8.4
2004	29,864	1,617	5.4	913	167	0.6	367	9.7
2005	30,618	1,587	5.2	896	198	0.6	433	8.0
2006	32,430	1,740	5.4	982	312	1.0	683	5.6
2007	34,934	1,876	5.4	1,059	361	1.0	791	5.2
2008	40,028	2,091	5.2	1,180	361	0.9	790	5.8
2009	43,028	3,359	7.8	1,896	727	1.7	1,594	4.6
2010	40,669	4,109	10.1	2,319	726	1.8	1,592	5.7
2011	46,072	5,635	12.2	3,180	885	1.9	1,939	6.4
2012	46,688	6,106	13.1	3,446	906	1.9	1,986	6.7
2013	45,704	7,715	16.9	4,355	724	1.6	1,588	10.6
2014	51,161	11,572	22.6	6,531	632	1.2	1,385	18.3

**Table A2: New Zealand's imports from China and India, 1983-2014**

Values in \$m, shares of total imports and imports from China compared to those to India;  
Index: 1983=100; June years

	Total		China		India		China/India	
	\$m	\$m	%	Index	\$m	%	Index	times
1983	6,928	49	0.7	100	30	0.4	100	1.7
1984	8,198	52	0.6	107	29	0.4	99	1.8
1985	11,344	79	0.7	162	49	0.4	167	1.6
1986	10,468	84	0.8	171	38	0.4	129	2.2
1987	10,803	85	0.8	173	42	0.4	142	2.0
1988	10,625	111	1.0	228	38	0.4	129	2.9
1989	11,402	125	1.1	256	40	0.4	137	3.1
1990	14,420	153	1.1	314	48	0.3	161	3.2
1991	14,051	195	1.4	398	42	0.3	141	4.7
1992	14,215	320	2.2	654	53	0.4	178	6.1
1993	15,979	459	2.9	939	73	0.5	248	6.2

<b>1994</b>	17,019	517	3.0	1,057	80	0.5	269	6.5
<b>1995</b>	19,745	644	3.3	1,318	101	0.5	341	6.4
<b>1996</b>	19,798	713	3.6	1,459	107	0.5	363	6.7
<b>1997</b>	19,785	822	4.2	1,682	118	0.6	401	6.9
<b>1998</b>	21,010	1,028	4.9	2,103	128	0.6	433	8.0
<b>1999</b>	22,584	1,150	5.1	2,353	134	0.6	454	8.6
<b>2000</b>	27,460	1,527	5.6	3,126	153	0.6	518	10.0
<b>2001</b>	29,885	2,013	6.7	4,120	168	0.6	568	12.0
<b>2002</b>	29,776	2,225	7.5	4,554	180	0.6	609	12.3
<b>2003</b>	30,161	2,523	8.4	5,164	180	0.6	607	14.1
<b>2004</b>	31,342	2,877	9.2	5,888	172	0.5	580	16.8
<b>2005</b>	33,433	3,423	10.2	7,005	201	0.6	679	17.0
<b>2006</b>	36,586	4,133	11.3	8,459	215	0.6	728	19.2
<b>2007</b>	38,671	4,937	12.8	10,104	247	0.6	835	20.0
<b>2008</b>	41,925	5,470	13.0	11,195	268	0.6	905	20.4
<b>2009</b>	43,438	6,297	14.5	12,887	323	0.7	1,091	19.5
<b>2010</b>	37,940	5,808	15.3	11,886	345	0.9	1,165	16.9
<b>2011</b>	42,666	6,722	15.8	13,757	356	0.8	1,206	18.9
<b>2012</b>	45,060	7,268	16.1	14,874	381	0.8	1,289	19.1
<b>2013</b>	44,159	7,376	16.7	15,094	398	0.9	1,347	18.5
<b>2014</b>	47,469	8,062	17.0	16,500	429	0.9	1,451	18.8

**Table A3: New Zealand's trade with India and China, 1983-2014**

Values in \$m, shares of total trade and trade with China compared to with to India;

Index: 1983=100; June years

This table is included here for completeness, but for reasons of space it is not discussed in the text

	<b>Total</b>		<b>China</b>		<b>India</b>		<b>China/India</b>	
	\$m	\$m	%	Index	\$m	%	Index	times
<b>1983</b>	14,864	226	1.5	100	75	0.5	100	3.0
<b>1984</b>	16,822	229	1.4	101	65	0.4	87	3.5
<b>1985</b>	22,660	377	1.7	167	98	0.4	130	3.9
<b>1986</b>	21,040	313	1.5	139	91	0.4	121	3.4
<b>1987</b>	22,911	510	2.2	226	113	0.5	151	4.5
<b>1988</b>	23,077	547	2.4	242	90	0.4	119	6.1
<b>1989</b>	26,307	665	2.5	294	123	0.5	163	5.4
<b>1990</b>	29,584	310	1.0	137	139	0.5	184	2.2
<b>1991</b>	29,823	381	1.3	168	169	0.6	224	2.3
<b>1992</b>	32,055	681	2.1	301	150	0.5	200	4.5
<b>1993</b>	34,951	827	2.4	366	213	0.6	283	3.9
<b>1994</b>	36,846	1,045	2.8	462	243	0.7	323	4.3
<b>1995</b>	40,535	1,189	2.9	526	223	0.6	297	5.3
<b>1996</b>	40,344	1,233	3.1	545	214	0.5	284	5.8
<b>1997</b>	40,818	1,382	3.4	611	243	0.6	323	5.7
<b>1998</b>	42,951	1,642	3.8	726	295	0.7	392	5.6
<b>1999</b>	45,165	1,776	3.9	786	306	0.7	407	5.8

<b>2000</b>	53,571	2,293	4.3	1,015	339	0.6	451	6.8
<b>2001</b>	61,885	3,139	5.1	1,389	320	0.5	425	9.8
<b>2002</b>	62,108	3,659	5.9	1,619	363	0.6	483	10.1
<b>2003</b>	59,452	3,980	6.7	1,761	354	0.6	471	11.3
<b>2004</b>	61,206	4,494	7.3	1,988	339	0.6	451	13.3
<b>2005</b>	64,051	5,010	7.8	2,216	398	0.6	530	12.6
<b>2006</b>	69,016	5,873	8.5	2,598	527	0.8	701	11.1
<b>2007</b>	73,605	6,813	9.3	3,014	608	0.8	808	11.2
<b>2008</b>	81,953	7,561	9.2	3,345	628	0.8	836	12.0
<b>2009</b>	86,466	9,656	11.2	4,272	1,050	1.2	1,396	9.2
<b>2010</b>	78,610	9,916	12.6	4,387	1,071	1.4	1,424	9.3
<b>2011</b>	88,738	12,357	13.9	5,467	1,241	1.4	1,651	10.0
<b>2012</b>	91,748	13,374	14.6	5,917	1,287	1.4	1,712	10.4
<b>2013</b>	89,863	15,091	16.8	6,676	1,123	1.2	1,494	13.4
<b>2014</b>	98,630	19,635	19.9	8,686	1,061	1.1	1,411	18.5

**Table A4: The Balance of Trade, New Zealand and China, India, 1983-2014**

	China			India		
	<i>Exports</i>	<i>Imports</i>	<i>balance</i>	<i>Exports</i>	<i>Imports</i>	<i>balance</i>
<b>1983</b>	177	49	128	46	30	16
<b>1984</b>	177	52	125	36	29	6
<b>1985</b>	298	79	219	48	49	-1
<b>1986</b>	230	84	146	53	38	15
<b>1987</b>	425	85	341	71	42	30
<b>1988</b>	435	111	324	51	38	13
<b>1989</b>	540	125	414	82	40	42
<b>1990</b>	157	153	4	91	48	44
<b>1991</b>	186	195	-9	127	42	85
<b>1992</b>	361	320	42	97	53	45
<b>1993</b>	368	459	-91	139	73	66
<b>1994</b>	529	517	12	163	80	84
<b>1995</b>	545	644	-99	123	101	22
<b>1996</b>	520	713	-193	106	107	-1
<b>1997</b>	560	822	-262	124	118	6
<b>1998</b>	614	1,028	-413	167	128	39
<b>1999</b>	626	1,150	-523	172	134	38
<b>2000</b>	766	1,527	-761	186	153	33
<b>2001</b>	1,126	2,013	-888	152	168	-16
<b>2002</b>	1,434	2,225	-791	183	180	3
<b>2003</b>	1,457	2,523	-1,067	174	180	-5
<b>2004</b>	1,617	2,877	-1,260	167	172	-4
<b>2005</b>	1,587	3,423	-1,836	198	201	-3
<b>2006</b>	1,740	4,133	-2,393	312	215	96
<b>2007</b>	1,876	4,937	-3,061	361	247	114
<b>2008</b>	2,091	5,470	-3,379	361	268	93

<b>2009</b>	3,359	6,297	-2,938	727	323	404
<b>2010</b>	4,109	5,808	-1,699	726	345	381
<b>2011</b>	5,635	6,722	-1,087	885	356	528
<b>2012</b>	6,106	7,268	-1,162	906	381	525
<b>2013</b>	7,715	7,376	340	724	398	326
<b>2014</b>	11,572	8,062	3,510	632	429	203

**Table A5: New Zealand's main exports to China, 2012-14**

June years

Code	Description	2012	2013	2014	% change (2013– 14)
<b>Exports (NZ\$000) fob</b>					
<b>0402</b>	Milk powder	1,714,475	2,349,365	5,309,408	126.0
<b>4403</b>	Logs	937,422	1,300,859	1,848,613	42.1
<b>0204</b>	Sheep meat	246,952	554,045	809,869	46.2
<b>0405</b>	Butter and dairy spreads	211,610	166,102	419,471	152.5
<b>5101</b>	Wool not carded or combed	403,057	369,960	385,709	4.3
<b>0306</b>	Crustaceans	110,827	235,364	255,070	8.4
<b>0202</b>	Frozen beef meat	20,727	165,541	207,844	25.6
<b>9809</b>	Confidential items	115,966	109,026	206,561	89.5
<b>1901</b>	Malt extract	186,028	190,477	172,772	-9.3
<b>0406</b>	Cheese	81,722	100,290	150,916	50.5
<b>4407</b>	Sawn or chipped wood of thickness 6mm and over	138,407	171,860	148,571	-13.6
<b>3501</b>	Casein	94,295	112,697	140,613	24.8
<b>0810</b>	Fruit nec	93,936	107,429	123,551	15.0
<b>0303</b>	Frozen fish	126,018	123,816	114,622	-7.4
<b>4102</b>	Raw sheep or lamb skins	162,833	153,976	100,931	-34.4
<b>0401</b>	Fresh milk and cream	49,053	62,525	76,468	22.3
<b>2709</b>	Crude petroleum oils	...	...	65,976	...
<b>4701</b>	Mechanical wood pulp	3,246	34,217	57,945	69.3
<b>0102</b>	Live cattle	73,966	90,639	53,889	-40.5
<b>4705</b>	Combined chemical and mechanical wood pulp	60,326	54,147	49,946	-7.8
<b>Top 20 subtotal</b>		<b>4,830,864</b>	<b>6,452,334</b>	<b>10,698,746</b>	<b>65.8</b>
NZ total exports to China, People's Republic of		6,106,143	7,715,373	11,572,310	50.0
Top 20 as % of total exports to China, People's Republic of		79	84	92	...

Source: "Global New Zealand – International trade, investment, and travel profile: Year ended June 2014." *Statistics New Zealand in conjunction with the Ministry of Foreign Affairs and Trade*, 17 November 2014. [http://www.stats.govt.nz/browse\\_for\\_stats/industry\\_sectors/imports\\_and\\_exports/global-nz-jun-14.aspx](http://www.stats.govt.nz/browse_for_stats/industry_sectors/imports_and_exports/global-nz-jun-14.aspx)

**Table A6: New Zealand's main exports to India, 2012-14**

June years

Code	Description	2012	2013	2014	% change (2013– 14)
<b>Exports (NZ\$000) fob</b>					
<b>4403</b>	Logs	175,547	163,750	212,287	29.6
<b>9809</b>	Confidential items	429,551	231,939	186,339	-19.7

5101	Wool not carded or combed	39,449	30,223	43,662	44.5
9019	Mechano-therapy and massage appliances	3,015	129,151	22,981	-82.2
7204	Ferrous waste and scrap	24,499	24,528	21,331	-13.0
0808	Apples, pears, and quinces	23,476	21,040	18,843	-10.4
7602	Aluminium waste and scrap	16,836	13,908	12,696	-8.7
4707	Recycled waste paper and paperboard	6,676	4,388	9,147	108.4
4105	Tanned sheep and lamb skins	3,303	7,253	7,578	4.5
1702	Sugars nec	6,302	6,174	7,040	14.0
4804	Uncoated kraft paper nec	6,208	8,180	6,993	-14.5
0810	Fruit nec	2,656	2,971	5,215	75.5
4705	Combined chemical and mechanical wood pulp	5,229	7,970	5,125	-35.7
3502	Albumins	1,460	4,327	5,005	15.7
4102	Raw sheep or lamb skins	5,102	4,312	4,347	0.8
4411	Fibreboard	3,528	4,291	4,207	-1.9
9018	Medical, dental, or veterinary instruments	490	4,064	3,453	-15.0
8474	Machinery for sorting, washing, or grinding mineral substances	4,559	2,381	3,143	32.0
8536	Electrical switches, fuses, and circuit breakers for less than 1,000V	3,827	5,192	2,954	-43.1
8412	Engines and motors nec	542	966	2,705	180.1
<b>Top 20 subtotal</b>		<b>762,254</b>	<b>677,009</b>	<b>585,052</b>	<b>-13.6</b>
NZ total exports to India		906,048	724,483	631,875	-12.8
Top 20 as % of total exports to India		84	93	93	...

Source: "Global New Zealand – International trade, investment, and travel profile: Year ended June 2014." *Statistics New Zealand in conjunction with the Ministry of Foreign Affairs and Trade*, 17 November 2014. [http://www.stats.govt.nz/browse\\_for\\_stats/industry\\_sectors/imports\\_and\\_exports/global-nz-jun-14.aspx](http://www.stats.govt.nz/browse_for_stats/industry_sectors/imports_and_exports/global-nz-jun-14.aspx)

**Table A7: New Zealand's main imports from China, 2012-14**

June years

Code	Description	2012	2013	2014	% change (2013–14)
<b>Imports (NZ\$000) cif</b>					
8471	Computers	762,848	787,083	742,850	-5.6
8517	Telephones and cellphones	548,924	582,268	630,590	8.3
9403	Office, kitchen, and bedroom furniture	137,394	156,436	174,829	11.8
8443	Printers, photocopiers, and facsimile machines	156,677	139,615	164,365	17.7
6204	Women's or girls' suits	150,961	149,814	159,124	6.2
9401	Seats	119,276	124,981	153,656	22.9
9503	Toys	127,221	118,836	127,225	7.1
6110	Knitted or crocheted jerseys	109,741	112,001	121,112	8.1
8528	Televisions	105,867	102,538	119,804	16.8
9405	Lamps and light fittings	64,638	81,578	109,321	34.0
4011	New pneumatic rubber tyres	103,337	107,641	109,240	1.5
4202	Trunks and cases	96,643	102,081	104,373	2.2
3105	Fertilisers nec	49,978	53,399	100,852	88.9
8516	Electric heaters, hair dryers, and microwave ovens	92,735	98,486	99,882	1.4
6203	Men's or boys' suits	92,003	95,849	94,411	-1.5
6109	Knitted or crocheted T-shirts and singlets	93,771	82,633	90,701	9.8
3926	Plastic articles nec	66,729	71,657	82,944	15.8
6403	Rubber, plastic, or leather footwear with leather uppers	83,167	81,228	82,933	2.1
3923	Plastic containers	69,523	70,880	82,560	16.5
9809	Confidential items	34,433	50,198	74,831	49.1
<b>Top 20 subtotal</b>		<b>3,065,867</b>	<b>3,169,200</b>	<b>3,425,603</b>	<b>8.1</b>
NZ total imports from China, People's Republic of		7,658,178	7,761,608	8,458,877	9.0

Top 20 as % of total imports from China, People's Republic of	40	41	40	...
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Source: "Global New Zealand – International trade, investment, and travel profile: Year ended June 2014." *Statistics New Zealand in conjunction with the Ministry of Foreign Affairs and Trade*, 17 November 2014. [http://www.stats.govt.nz/browse\\_for\\_stats/industry\\_sectors/imports\\_and\\_exports/global-nz-jun-14.aspx](http://www.stats.govt.nz/browse_for_stats/industry_sectors/imports_and_exports/global-nz-jun-14.aspx)

**Table A8: New Zealand's main imports from India, 2012-14**

June years

Code	Description <sup>1</sup>	2012	2013	2014	% change (2013– 14)
<b>Imports (NZ\$000) cif</b>					
<b>3004</b>	Retail medicines	53,991	51,187	51,443	0.5
<b>7113</b>	Precious metal jewellery	24,973	24,472	23,539	-3.8
<b>8703</b>	Motor vehicles	7,888	15,783	21,649	37.2
<b>7102</b>	Diamonds	14,612	16,586	16,397	-1.1
<b>6302</b>	Bed and table linen	14,606	15,895	15,940	0.3
<b>6204</b>	Women's or girls' suits	7,545	7,357	8,092	10.0
<b>3215</b>	Printing ink	6,828	7,912	7,934	0.3
<b>1006</b>	Rice	5,282	5,905	6,925	17.3
<b>4011</b>	New pneumatic rubber tyres	6,361	7,240	6,733	-7.0
<b>3917</b>	Plastic tubes, pipes, hoses, and fittings	4,405	3,464	6,729	94.3
<b>8479</b>	Machinery and mechanical appliances with individual functions nec	305	214	6,700	---
<b>4202</b>	Trunks and cases	4,838	5,385	6,023	11.9
<b>6403</b>	Rubber, plastic, or leather footwear with leather uppers	5,798	5,874	6,000	2.1
<b>6802</b>	Monumental or building stone	4,663	5,433	5,554	2.2
<b>7202</b>	Ferro-alloys	967	2,120	4,849	128.7
<b>3920</b>	Laminated non-cellular plastic plates, sheets, film, foil, and strips	4,266	4,280	4,818	12.6
<b>8536</b>	Electrical switches, fuses, and circuit breakers for less than 1,000V	4,833	5,496	4,551	-17.2
<b>5702</b>	Woven carpets	2,976	3,445	4,477	29.9
<b>7901</b>	Unwrought zinc	3,424	2,623	4,183	59.5
<b>2106</b>	Food preparations nec	2,575	3,393	3,969	17.0
	<b>Top 20 subtotal</b>	<b>181,138</b>	<b>194,063</b>	<b>216,503</b>	<b>11.6</b>
	NZ total imports from India	402,261	420,390	453,137	7.8
	Top 20 as % of total imports from India	45	46	48	...

Source: "Global New Zealand – International trade, investment, and travel profile: Year ended June 2014." *Statistics New Zealand in conjunction with the Ministry of Foreign Affairs and Trade*, 17 November 2014. [http://www.stats.govt.nz/browse\\_for\\_stats/industry\\_sectors/imports\\_and\\_exports/global-nz-jun-14.aspx](http://www.stats.govt.nz/browse_for_stats/industry_sectors/imports_and_exports/global-nz-jun-14.aspx)

**Table A9: Composition of New Zealand exports to China and India, 2014, in code order**

China				India			
Code	NZ\$m	%	rank	Code	NZ\$m	%	rank
0102	54	0.5	19	0808	18.8	3.0	6
0202	208	1.8	7				
0204	810	7.0	3				
0303	115	1.0	14				
0306	255	2.2	6				
0401	76	0.7	16				
0402	5,309	45.9	1				
0405	419	3.6	4				
0406	151	1.3	10				
<b>0810</b>	<b>124</b>	<b>1.1</b>	<b>13</b>	<b>0810</b>	<b>5.2</b>	<b>0.8</b>	<b>12</b>
1901	173	1.5	9	1702	7.0	1.1	10
2709	66	0.6	17				
3501	141	1.2	12	3502	5.0	0.8	14
<b>4102</b>	<b>101</b>	<b>0.9</b>	<b>15</b>	<b>4102</b>	<b>4.3</b>	<b>0.7</b>	<b>15</b>
				4105	7.6	1.2	9
<b>4403</b>	<b>1,849</b>	<b>16.0</b>	<b>2</b>	<b>4403</b>	<b>212.3</b>	<b>33.6</b>	<b>1</b>
4407	149	1.3	11	4411	4.2	0.7	16
4701	58	0.5	18				
<b>4705</b>	<b>50</b>	<b>0.4</b>	<b>20</b>	<b>4705</b>	<b>5.1</b>	<b>0.8</b>	<b>13</b>
				4707	9.1	1.4	8
				4804	7.0	1.1	11
<b>5101</b>	<b>386</b>	<b>3.3</b>	<b>5</b>	<b>5101</b>	<b>43.7</b>	<b>6.9</b>	<b>3</b>
				7204	21.3	3.4	5
				7602	12.7	2.0	7
				8412	2.7	0.4	20
				8474	3.1	0.5	18
				8536	3.0	0.5	19
				9018	3.5	0.5	17
				9019	23.0	3.6	4
<b>9809</b>	<b>207</b>	<b>1.8</b>	<b>8</b>	<b>9809</b>	<b>186.3</b>	<b>29.5</b>	<b>2</b>
Top20subtotal	10,699	92.5		Top20subtotal	585.1	92.6	
NZtotalexportstoChina	11,572	100.0		NZtotalexportstoIndia	631.9	100.0	

Source: "Global New Zealand – International trade, investment, and travel profile: Year ended June 2014." *Statistics New Zealand in conjunction with the Ministry of Foreign Affairs and Trade*, 17 November 2014.  
[http://www.stats.govt.nz/browse\\_for\\_stats/industry\\_sectors/imports\\_and\\_exports/global-nz-jun-14.aspx](http://www.stats.govt.nz/browse_for_stats/industry_sectors/imports_and_exports/global-nz-jun-14.aspx)

#### **Shared 4 digit codes**

0801: Fruit nec

4102: Raw sheep or lamb skins

4403: Logs

4705: Combined chemical and mechanical wood pulp

5101: Wool not carded or combed

9809: Confidential items

**Table A10: Composition of New Zealand imports from China and India, 2014, in code order**

China				India			
Code	\$m	%	rank	Code	\$m	%	rank
				1006	6.9	1.5	8
				2106	4.0	0.9	20
3105	100.9	1.2	13	3004	51.4	11.4	1
3923	82.6	1.0	19	3215	7.9	1.8	7
3926	82.9	1.0	17	3917	6.7	1.5	10
				3920	4.8	1.1	16
<b>4011</b>	<b>109.2</b>	<b>1.3</b>	<b>11</b>	<b>4011</b>	<b>6.7</b>	<b>1.5</b>	<b>9</b>
<b>4202</b>	<b>104.4</b>	<b>1.2</b>	<b>12</b>	<b>4202</b>	<b>6.0</b>	<b>1.3</b>	<b>12</b>
				5702	4.5	1.0	18
6109	90.7	1.1	16				
6110	121.1	1.4	8				
6203	94.4	1.1	15				
<b>6204</b>	<b>159.1</b>	<b>1.9</b>	<b>5</b>	<b>6204</b>	<b>8.1</b>	<b>1.8</b>	<b>6</b>
				6302	15.9	3.5	5
<b>6403</b>	<b>82.9</b>	<b>1.0</b>	<b>18</b>	<b>6403</b>	<b>6.0</b>	<b>1.3</b>	<b>13</b>
				6802	5.6	1.2	14
				7102	16.4	3.6	4
				7113	23.5	5.2	2
				7202	4.8	1.1	15
				7901	4.2	0.9	19
8443	164.4	1.9	4	8479	6.7	1.5	11
8471	742.8	8.8	1	8536	4.6	1.0	17
8516	99.9	1.2	14	8703	21.6	4.8	3
8517	630.6	7.5	2				
8528	119.8	1.4	9				
9401	153.7	1.8	6				
9403	174.8	2.1	3				
9405	109.3	1.3	10				
9503	127.2	1.5	7				
9809	74.8	0.9	20				
Top 20 subtotal	3,425.6	40.5		Top 20 subtotal	216.5	47.8	
NZ total imports from China,	8,458.9	100.0		NZ total imports from India	453.1	100.0	

Source: "Global New Zealand – International trade, investment, and travel profile: Year ended June 2014." *Statistics New Zealand in conjunction with the Ministry of Foreign Affairs and Trade*, 17 November 2014.  
[http://www.stats.govt.nz/browse\\_for\\_stats/industry\\_sectors/imports\\_and\\_exports/global-nz-jun-14.aspx](http://www.stats.govt.nz/browse_for_stats/industry_sectors/imports_and_exports/global-nz-jun-14.aspx)

#### **Shared 4 digit codes**

4011: New pneumatic rubber tyres

4202: Trunks and cases

6204: Women's or girls' suits

6403: Rubber, plastic, or leather footwear with leather uppers

#### **Glossary**

Trade data are given here following New Zealand usage, FOB for exports and VFD for imports. Statistics New Zealand provides the following notes:

**CIF:** Cost including Insurance and Freight (CIF) is the value declared by the importer to Customs. It represents the Free on Board (FOB) cost at foreign ports, plus shipping and insurance.

Imports are all material goods which enter New Zealand from abroad and are valued 'CIF' (cost, insurance and freight) and 'VFD' (value for duty). The CIF value is the cost to the importer of buying the goods and bringing them to the wharfside in New Zealand.

**Confidential classifications** "Under section 37A (d) of the Statistics Act, the Government Statistician may disclose details of external trade, movement of ships, and cargo handled at ports. However, Statistics New Zealand understands that the release of merchandise trade commodity information can, in some cases, place commercially sensitive information in the public domain. This can have detrimental effects upon companies that export and/or import goods. In light of such circumstances, Statistics NZ is able to provide a limited form of confidential status for commodity items (at the discretion of the Government Statistician) upon application by a company or business. In practice, all confidential HS codes are aggregated into the code 9809.00.00.00 in order to protect their confidentiality and to maintain total export and import values. Any aggregations of HS codes below this level, which encompass confidential 10 digit codes, exclude the confidential value(s) for these codes.

**FOB:** Exports are all material goods which leave New Zealand for other countries and are valued free on board (FOB). The FOB value is the current market value of goods in the country of origin, including all costs necessary to get them on board the ship or aircraft. It excludes freight, insurance and other costs involved in transporting goods between countries.

**VFD:** Imports are all material goods which enter New Zealand from abroad and are valued 'VFD' (value for duty) and 'CIF' (cost, insurance and freight). VFD is the value on which customs duty is based. It equates approximately with the free on board (FOB) cost of the goods in the exporting country.

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