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Trade Policy Review Body

TRADE POLICY REVIEW

REPORT BY THE SECRETARIAT

NEW ZEALAND

Revision

This report, prepared for the fifth Trade Policy Review of New Zealand, has been drawn up by the WTO Secretariat on its own responsibility. The Secretariat has, as required by the Agreement establishing the Trade Policy Review Mechanism (Annex 3 of the Marrakesh Agreement Establishing the World Trade Organization), sought clarification from New Zealand on its trade policies and practices.

Any technical questions arising from this report may be addressed to Ms Martha Lara Fernandez (Tel: 022 739 6033) or Mr Michael Kolie (Tel: 022 739 5931).

Document WT/TPR/G/316 contains the policy statement submitted by New Zealand.

Note: This report was drafted in English.

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SUMMARY

1. Since its previous Review (2009), New Zealand has remained among the most open economies in the world. Between 2008/09 and 2013/14, real GDP grew at an average annual rate of 2.1% driven primarily by private consumption, although in the later years of the review period growth was mainly due to gross fixed capital formation (associated with the rebuild after the 2010/2011 Canterbury earthquakes). High international prices for New Zealand's commodity exports also contributed to growth.

2. Over most of the review period, an accommodative monetary policy supported economic recovery after the effects of the 2008 global financial crisis. CPI inflation was within the Reserve Bank of New Zealand (RBNZ)'s target band (1%-3%) for most of the review years. As domestic demand picked up and inflationary pressures started to build (owing in part to high housing prices), the RBNZ began tightening monetary policy in March 2014. Limits on high-loan-to-value mortgage lending, in place since October 2013, have helped moderate housing prices. The Government is committed to fiscal consolidation; its operating balance deficit has been reduced (1.3% of GDP in 2013/14) and is expected to return to a surplus in 2015/16.

3. New Zealand has traditionally run a current account deficit, reflecting a persistent shortfall in domestic savings that has been financed by overseas borrowing. Helped by strong terms of trade, the deficit narrowed down to 2.6% of GDP in 2013/14. Net foreign liabilities have decreased gradually but remained relatively high at 65.6% of GDP at end March 2014.

4. While the New Zealand economy has gathered momentum over the last few years, it faces important challenges, including high private foreign liabilities, slowing demand from some trading partners, volatile international commodity prices, a strong exchange rate, and a highly-indebted farm sector. Moreover, New Zealand's labour productivity and income per capita continue to lag behind OECD averages.

5. New Zealand's external trade of goods and services was equivalent to 56.7% of GDP in 2013/14, reflecting a relatively low trade intensity given the small size of the economy, which might be partly explained by the country's geographical remoteness from world markets. Primary sector-based products continue to dominate merchandise exports, increasing their share to 76%, mainly on account of high international commodity prices; while imports concentrate in manufacture (mainly capital goods) and raw materials. The direction of New Zealand's merchandise trade changed during the review period, with China becoming its largest single trading partner. Exports of services, mainly travel services, remain an important source of foreign exchange earnings.

6. New Zealand's trade and investment frameworks have not changed significantly since its previous Review. The Multilateral Trading System remains New Zealand's main vehicle for providing trade opportunities to its exporters and addressing the challenges it faces as a small and remote country. Nonetheless, New Zealand has increasingly engaged in regional trade agreements (RTAs) to complement its participation in the WTO. It now has ten RTAs, of which four entered into force during the review period (i.e. with Chinese Taipei; Malaysia; Hong Kong, China; and the ASEAN-Australia-New Zealand Free Trade Area), and is continuing negotiations to conclude other RTAs. During the review period, new RTAs were concluded with the Gulf Cooperation Council and the Republic of Korea. New Zealand grants duty-free quota-free access to imports from LDCs and preferential tariffs for developing countries under the GSP. It is an active provider of Aid for Trade, with specific support measures provided to Pacific Island Countries to build their capacity to trade.

7. New Zealand regularly meets WTO notification requirements. During the review period, it was involved as a complainant in one WTO dispute settlement case.

8. Foreign direct investment (FDI) is an important source of financing for New Zealand and a means to gain access to foreign technology, know-how and global markets. The stock of FDI in New Zealand amounted to NZ$97.4 billion at end March 2014 (42% of GDP), with over half of it invested in the financial and manufacturing sectors. New Zealand's stock of FDI abroad totalled NZ$23.2 billion at end March 2014, most of it invested in manufacturing activities. Overall, New Zealand has an open foreign investment regime. However, by means of screening procedures,

restrictions apply in a few areas of critical interest, i.e. certain sensitive types of land, "significant business assets" other than land, and fishing quotas.

9. New Zealand's average applied MFN tariff rate is 2.4% (2015) and over half of tariff lines are duty free, although higher tariffs continue to apply to footwear and textile products. In October 2013, the Government decided to hold MFN tariffs at current levels until at least 30 June 2017. A tariff review will take place in 2016 to consider whether any changes are needed after 2017.

10. Since its 2009 TPR, New Zealand has implemented a trade facilitation project geared towards the establishment of a "Joint Border Management System". As part of it, a Trade Single Window and a revised import electronic declaration form have been put in place.

11. During the review period, New Zealand continued to modernize its trade related legislation. For example, the antidumping and countervailing law underwent significant amendments, including a new provision to allow importers to apply for refund of anti-dumping duties paid in excess of the margin of dumping. In addition, to support rebuilding activities after the Canterbury earthquakes, anti-dumping measures were suspended on residential building materials. A new Trade (Safeguard Measures) Act was adopted in 2014, allowing for a timely imposition of safeguard actions and the inclusion of "public interest" criteria when imposing a safeguard measure. Four anti-dumping investigations were initiated during the review period, of which two resulted in the imposition of final measures; no countervailing or safeguard measures were imposed.

12. Technical regulations and sanitary and phytosanitary measures (SPS) are intended to reflect WTO provisions. When standards are developed, existing international standards are considered and stakeholder consultation is undertaken. Relatively stringent SPS measures are applied to imports of plant and animal products for biosecurity reasons. In the WTO Committee on TBT, some Members have raised concerns about New Zealand's 2012 proposal to introduce plain packaging of tobacco products, while some other Members have supported it. New Zealand has Mutual Recognition Agreements with some of its main trading partners. The most comprehensive is the Trans-Tasman Mutual Recognition Arrangement with the federal government and state and territory governments of Australia.

13. New Zealand maintains several business assistance and export promotion programmes. The main export promotion agency, New Zealand Trade and Enterprise, provides strategic advice, research and market intelligence for new exporters, as well as support for already established export companies. Export credit insurance is also available for exporting companies. Other incentive schemes are in place mainly to encourage innovation and capacity building.

14. New Zealand has a comprehensive legal and institutional framework for competition policy. The Commerce Commission is responsible for enforcing the generic provisions of the Commerce Act, as well as the competition components of industry-specific laws. The Commission is also engaged in international cooperation with overseas competition authorities. While New Zealand's competition regime is considered as generally performing well in international comparisons, some studies have found that the country's small market and remoteness have led to relatively low levels of competition in some services industries (i.e. retail, finance, insurance, real estate and professional services). This may have contributed to low productivity levels and high costs in some of these sectors to the detriment of New Zealand firms and consumers. Proposed amendments to the competition law, including criminal sanctions for hard-core cartels and the application of the Commerce Act to the international freight transport sector, are currently before Parliament.

15. There is only one state-trading enterprise in operation, with special authority to export kiwifruit. The Government maintains equity shares in several enterprises in key economic sectors such as energy and transport. The level of government participation in such enterprises has been falling in recent years.

16. Government procurement in New Zealand amounted to some 20% of GDP in 2012. New rules for government sourcing came into force in 2013. The regime intends to promote open competitive procurement practices, with no preferences accorded to domestic suppliers. The terms of New Zealand's accession to the revised WTO Agreement on Government Procurement (GPA) were agreed on 29 October 2014. A Parliamentary treaty examination process is under way to ratify the country's accession.

17. New Zealand's intellectual property regime aims at ensuring a balance between the interests of rights owners and the society as a whole. Several legislative changes occurred during the review period. A new patent Act entered into force in 2013 to allow, *inter alia*, stricter examination of applications, and exclude "computer software as such" from patentability. The Copyright act was amended to facilitate enforcement action against infringing sharing file. The Trade Marks Act was amended several times to accommodate international standards. Protection for geographical indications continues to be provided through the Fair Trading Act 1986. The Geographical Indications (Wine and Spirits) Registration Act 2006, which establishes a registration system for wines and spirits geographical indications is yet to be brought into force.

18. The primary sector plays a key role in New Zealand's economy. Benefitting from high commodity prices, agricultural products contributed to 70% of total merchandise exports in 2014. Agriculture is a highly-productive sector, with minimal Government intervention. Tariffs on agricultural products continued to decline and there are no import quotas or licensing. Domestic support is limited to biosecurity border control for pest and disease and relief against climate disasters. New Zealand's producer support estimate (PSE) was less than 1% in 2010-13 (the lowest among OECD countries). The former statutory marketing boards have all been replaced by producer organizations; a state-trading enterprise still has a quasi-monopoly on exports of kiwifruit to most markets. The dairy industry has seen further reforms to improve transparency and access to raw milk by market entrants. The exclusive export licences held by the Fonterra Co-operative Group, New Zealand's major dairy exporter, were phased-out at end 2010. Commercial fishing is a thriving export subsector, with 90% of all catch being exported. However, restrictions to overseas investment in fishing quotas apply. Foreign-flagged charter fishing vessels will be prohibited from fishing in New Zealand waters from 1 May 2016.

19. State participation remains strong in the electricity sector, although steps have been taken to open it up further to private investors. Three state-owned companies generate nearly two-thirds of all electricity, while transmission is in the hands of another state-owned enterprise. The State sold 49% of its stake in the three main generators in 2013 and 2014. Electricity is traded in a liberalized market, with no regulation on wholesale or retail prices, while the transmission company and the largest distribution firms are subject to price quality controls. The Electricity Industry Act 2010 created an independent regulator and relaxed ownership restrictions between distribution, retail and generation companies. In 2013, changes to the petroleum regulatory regime were made to attract investments, including a streamlined exploration permit procedure.

20. Manufacturing remains an important contributor to the economy, but its shares in GDP, employment and exports continued to decline in the review period. Food and other resource-based industries account for most of manufacturing output. The simple average applied MFN tariff on manufactures is 2.5%. In recent years, the manufacturing industry has faced challenging conditions, including weak demand and shortages of skills and R&D. The Government has put in place several programmes to assist the business sector (not specifically targeted to industry), mainly in the form of financial support, technical advice and R&D funding.

21. Services are the leading sector of the economy and account for 25% of total exports of goods and services. The services trade regime is relatively liberal, although there are a few restrictions on FDI in the telecommunications and transport sectors. New Zealand has commitments in 90 of the 155 sectors under the General Agreement on Trade in Services (GATS).

22. Recent regulatory changes in New Zealand's financial sector included strengthening of the prudential framework for banks and other financial institutions (insurance companies and non-bank deposit takers). The banking sector, characterized by a high level of foreign ownership, is well capitalized and meets prudential requirements, including the Basel III capital adequacy thresholds. Nonetheless, highly indebted household and farm sectors and heavy reliance on foreign funding remain key challenges for the financial sector. Macro-prudential measures have been implemented to address such challenges and increase the system's resilience.

23. The telecommunications sector has seen significant regulatory changes, including the incumbent operator's demerger in 2011. Internet broadband uptake has grown fast but prices remain relatively high by OECD standards. At present, the Government is implementing its initiative to roll-out the ultra-fast-broadband fibre network to 75% of the population by 2020. There are no licensing requirements for entry into the market and control over retail prices is minimal. Foreign investment in telecommunication firms is subject to compliance with generic

overseas investment rules, and there is a 49.9% cap on any overseas investment in the former incumbent wholesale operator without prior written approval of the Crown.

24. New Zealand has a liberal international air transport policy and maintains air services relationships with over 60 partners. The national carrier, Air New Zealand, is 52.3% owned by the Crown, and no overseas person may hold 10% or more of the voting shares without prior written consent by the Crown. The three main international airports have both private and public ownership and are subject to information disclosure requirements under the Commerce Act. A review of airport legislation, including competition issues, is currently being conducted.

25. Virtually all New Zealand overseas trade, by volume, is moved by sea. Shipping policy aims to ensure that New Zealand exporters and shippers have access to carriers on competitive terms. A bill currently before Parliament would, if adopted, remove an exemption that allows price-fixing in international shipping agreements. Foreign ships passing through New Zealand to unload imports or load exports and overseas-registered ships operated or controlled by a New Zealand entity are allowed to carry coastal cargo. Most of the 14 seaports are managed by port companies owned by local authorities. Increasing port productivity would help reduce trading costs for New Zealand firms. Tourism is an important generator of foreign exchange earnings and jobs. The sector is supported by significant public investment.

1 ECONOMIC ENVIRONMENT

1.1 Introduction

1.1. New Zealand maintains one of the most open economies worldwide, ranking consistently high in international indicators of economic freedom and ease of doing business.[1] New Zealand's annual economic growth averaged 2.1% between 2008/09 and 2013/14, albeit with some fluctuations. A significant share of growth in the later years of this period was due to gross fixed capital formation as construction work intensified to rebuild the city of Christchurch, following the destructive earthquakes of 2010 and 2011. In the year ending March 2014, real GDP expanded by 2.5%, supported also by high prices for New Zealand's commodity exports. More recent data estimates indicate that GDP grew by 3.8% in the year ending December 2014.

1.2. Between 2008/09 and 2013/14, GDP per capita rose from US$28,574 to US$42,520; while New Zealand's ranking in the UN Human Development Index climbed to the 7th position (out of 177 counties).[2] The unemployment rate increased during the review period to a peak of 6.8% in the year ending March 2013, but declined to 5.7% in December 2014, as economic activity picked-up.

1.3. Growth has been underpinned by a sound macroeconomic framework. Fiscal policy is geared towards achieving fiscal consolidation, mainly via spending reductions; the Government's operating balance deficit fell to 1.3% of GDP in 2013/14. Monetary policy focuses on price stability. In 2013, macro-prudential policy was deployed to help moderate housing market pressures and increase the financial system's resilience. Annual CPI inflation averaged 2.3% over the review period, and was within the Reserve Bank of New Zealand's (RBNZ) target band for most of the review years. Helped by a strong New Zealand dollar, CPI inflation was 1.3% in 2013/14. The current account reported a deficit throughout the review period, but it narrowed to 2.6% of GDP in 2013/14 aided by record-high terms of trade. Net foreign liabilities have decreased gradually but remain relatively high at 65.6% of GDP at end-March 2014.

1.4. While economic expansion has been gathering momentum over the past few years, New Zealand continues to face a number of challenges to growth. These include high private foreign liabilities, sluggish demand from some trading partners, volatile terms of trade and a strong exchange rate.[3] In particular, a pronounced slowdown in the demand for imported soft commodities from China (New Zealand's largest goods trading partner) and a strong decline in commodity prices could have a significant impact on New Zealand's growth prospects. In addition, the highly-indebted housing and farm sectors, which account for the largest share of the banking system's credit exposure, remain a potential risk to financial stability in the event of sharp price corrections or fluctuations.[4] Furthermore, New Zealand's labour productivity and income per capita continue to lag behind OECD averages.

1.5. New Zealand's external trade (exports and imports of goods and services) was equivalent to 56.7% of GDP in 2013/14 (down from 65% in 2008/09). This reflects a relatively low trade intensity given the small size of the economy. Primary sector-based products (agriculture, forestry, fishing and mining) continue to dominate New Zealand's merchandise exports, accounting for almost 76% of export value; while imports concentrate in manufacturing (transport equipment and machinery) and raw materials. The direction of New Zealand's merchandise trade changed notably during the review period, with China overtaking Australia as New Zealand's largest single trading partner and several Asian emerging economies gaining more importance as commercial partners. Services exports, mainly travel services, are also a significant source of foreign exchange earnings. The stock of foreign direct investment (FDI) in New Zealand increased steadily during the review period to NZ$97.4 billion at 31 March 2014, with over half of it invested in the financial and

[1] In 2014, New Zealand ranked 5th in the Heritage Foundation Economic Freedom index, and 2nd in the World Bank's Doing Business 2015 Index. Viewed at: http://www.heritage.org/index/ and http://www.doingbusiness.org/rankings, respectively.

[2] UNDP online information, Human Development Index 2014. Viewed at: http://hdr.undp.org/en/content/human-development-index-hdi.

[3] Although it appreciated during most of the review period, the New Zealand dollar has depreciated since September 2014, partly in response to weakening export prices.

[4] The authorities have indicated that the risk to the banking system is tempered by the fact that over half of New Zealand's total banking sector debt is to related parties, such as healthy Australian parent banks.

manufacturing sectors. New Zealand's stock of FDI abroad was NZ$23.2 billion at 31 March 2014, with most of it invested in manufacturing activities.[5]

1.2 Recent Economic Developments

1.6. New Zealand's real GDP expanded at an average annual rate of 2.1% between 2008/09 and 2013/14.[6] Growth was primarily driven by private consumption and exports during the first part of the period, while in the later years it was mainly attributable to gross fixed capital formation. (Table 1.1). Growth performance was not steady during the review period as the New Zealand economy had to face some significant challenges.

1.7. A severe drought and the impact of the global financial crisis caused GDP to contract in 2008/09. In order to mitigate the effects of the global slowdown, New Zealand implemented a number of monetary and fiscal measures. The RBNZ (central bank) reduced the Official Cash Rate (from 8.25% to 2.5%) in April 2009 and introduced facilities to provide sufficient liquidity for banks. Short-term retail and wholesale bank guarantees were put in place to facilitate banks' access to funding and restore confidence in the financial system. Personal income tax rates were reduced (October 2010), a temporary relief package was introduced to support SMEs, and infrastructure works were undertaken.

1.8. After a rebound in 2009/10, GDP growth was subdued in 2010/11 due to the disruption caused by two devastating earthquakes that hit the Canterbury region, in particular the city of Christchurch, in September 2010 and February 2011. Their material damage was estimated at about 20% of annual nominal GDP.[7] Additional temporary tax-relief measures for individuals and businesses were put in place to assist in the recovery.

1.9. From mid-2011 onwards, economic growth started to pick up momentum. In the year ending March 2014, real GDP grew by 2.4% fuelled by domestic demand, although with a high import content. Investment was particularly strong, reflecting a rebound in construction activity as the Christchurch rebuilt efforts intensified. In addition, New Zealand benefitted from high export commodity prices and rising terms of trade during most of the review period.

1.10. A significant challenge to New Zealand's growth potential remains its relatively low labour productivity and per capita income levels, which lag behind OECD averages, despite the country's otherwise conducive policy settings.[8] A recent study has suggested that remote access to markets and suppliers and low investment in R&D would explain up to 26 percentage points of New Zealand's productivity gap vis-à-vis the average of 20 OECD countries.[9]

1.11. Distance from global markets is reflected in New Zealand's low trade intensity (unusual given its small size) and limited participation in global value chains (GVC), other than food and agriculture GVCs.[10] Improving the country's productivity would therefore entail actions to mitigate the impact of distance from global markets and foster greater integration in GVCs, in particular in innovation-intensive sectors. Further reducing trade transaction costs, updating the regulatory framework of international freight services so as to increase competition, and improving telecommunications infrastructure could contribute to minimizing the disadvantage of distance (section 4).[11] Moreover, a shift of production towards higher value, knowledge-intensive products and services, especially those that are less sensitive to geographical remoteness, would help foster participation in GVCs and enable New Zealand to reap the benefits of international trade in the form of technology diffusion, increased domestic competition and economies of scale.[12]

[5] FDI data is presented on a directional basis.
[6] Data on GDP and other indicators refer to fiscal years ending in March, unless otherwise indicated.
[7] Treasury (2014a).
[8] OECD (2013b).
[9] De Serres, Naomitsu, and Boulhol (2014).
[10] Data on trade in value added (TiVA) and GVC indicators compiled by the WTO and the OECD can be found at: http://stats.oecd.org/Index.aspx?DataSetCode=TIVA_OECD_WTO.
[11] The authorities indicated that barriers (mainly in developed markets) for New Zealand's key exports and the generally small size of New Zealand firms were impediments to trading and expanding offshore.
[12] OECD (2013b).

Table 1.1 Selected macroeconomic indicators, 2008/09-2013/14

(Year end-March, unless otherwise indicated)	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Real GDP, expenditure based, 2009/10 prices (NZ$ billion)	188.5	192.9	194.2	198.6	204.4	209.3
Real GDP, expenditure based, 2009/10 prices (US$ billion)	122.6	130.9	142.4	160.2	166.5	171.8
Current GDP, expenditure based (NZ$ billion)	187.7	192.9	201.6	210.3	215.4	230.0
Current GDP, expenditure based (US$ billion)	122.0	130.9	147.8	169.7	175.4	188.8
GDP per capita at current market price (NZ$)	43,948.0	44,664.0	46,216.0	47,877.0	48,739.0	51,798.0
GDP per capita at current market price (US$)	28,573.9	30,306.0	33,885.2	38,625.2	39,704.8	42,520.1
National accounts (% change, unless otherwise indicated)						
Real GDP, expenditure based	-2.1	2.3	0.7	2.3	2.9	2.5
Consumption	-0.2	1.1	2.0	2.4	1.7	2.8
Private consumption	-1.5	1.7	2.0	2.7	2.5	2.9
Government consumption	4.0	-0.5	1.9	1.6	-0.6	2.7
Gross fixed capital formation	-7.4	-9.3	3.3	5.5	7.2	10.4
Exports of goods and services	-2.7	4.0	2.8	2.3	3.0	0.3
Imports of goods and services	-3.5	-9.3	11.5	6.6	1.3	8.0
XGS/GDP (%) (at current market price)	32.4	28.9	30.5	30.8	29.1	29.2
MGS/GDP (%) (at current market price)	32.6	26.6	28.2	29.2	28.4	27.5
Unemployment rate (%)	4.5	6.4	6.6	6.6	6.8	6.1
Prices and interest rates						
Inflation (CPI, % change)	3.9	1.9	2.9	3.3	0.9	1.3
Lending rate (%)[a]	8.53	6.37	6.28	6.02	5.76	5.50
Deposit rate (%)[a]	6.46	4.19	4.60	4.20	4.03	3.79
Exchange rate						
US$/NZ$ (period average)	0.650	0.679	0.733	0.807	0.815	0.821
Nominal effective exchange rate (% change)[b]	-13.2	2.7	5.3	4.6	3.6	4.1
Real effective exchange rate (% change)[b]	-12.7	4.1	6.0	4.9	2.6	3.6
Fiscal balance (Year ended 30 June, % of GDP)						
Total Crown revenue	42.8	38.8	40.6	39.9	40.8	39.0
Tax revenue	29.4	26.4	25.7	26.3	27.6	26.8
Total expenditure	44.9	42.1	49.8	44.3	42.8	40.2
Operating balance before gains and losses	-2.1	-3.3	-9.2	-4.4	-2.1	-1.3
Gross debt[c]	23.3	27.8	36.0	38.1	36.7	35.8
Net debt[d]	9.2	13.9	20.0	24.2	26.3	26.2
Saving and investment (% of GDP)						
Gross national savings	15.6	18.5	17.5	17.5	17.7	20.0
Gross domestic investment	22.8	19.9	20.3	20.7	21.6	23.0
External sector (% of GDP, unless otherwise indicated)						
Current account balance	-7.2	-1.5	-2.8	-3.8	-3.7	-2.6
Goods balance	-1.1	1.1	1.5	0.9	0.2	1.2
Exports	23.5	20.7	22.5	22.8	21.6	21.9
Imports	24.6	19.6	21.0	21.9	21.4	20.8
Services balance	0.9	1.2	0.9	0.6	0.5	0.6
Capital account	0.6	0.0	9.4	0.4	-0.0	0.0

(Year end-March, unless otherwise indicated)	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Financial account	1.7	2.7	-5.6	5.7	1.9	-0.8
Direct investment	1.7	-1.9	1.9	0.2	1.8	-0.4
Balance of payments	5.3	-3.4	-1.0	-0.1	-0.6	0.9
Terms of trade (September 2002=1,000, end-period)	1,185.0	1,186.0	1,266.0	1,240.0	1,205.0	1,414.0
Merchandise exports (% change)[e]	13.9	-9.5	13.4	6.1	-3.2	8.3
Merchandise imports (% change)[e]	11.9	-18.2	12.0	8.8	-0.1	3.7
Service exports (% change)[e]	4.5	-4.5	2.4	2.7	-2.8	3.3
Service imports (% change)[e]	14.6	-10.1	7.6	5.8	-1.0	1.8
Net foreign liabilities	85.0	79.3	65.5	69.8	69.2	65.6
Official reserve assets (NZ$ billion, end-March)	20.5	23.4	24.7	23.5	23.8	21.0
% of GDP	10.9	12.1	12.3	11.2	11.1	9.1
Total external debt (NZ$ billion, end-March)	232.8	232.9	242.9	238.4	242.4	232.8
% of GDP	124.0	120.8	120.5	113.4	112.5	101.2

a Calculations are based on monthly averages.
b Consumer price index based (2010=100). Calculations are based on monthly averages.
c Gross debt is defined as gross sovereign-issued debt excluding Reserve Bank settlement cash and Reserve Bank bills.
d Net debt is defined as core Crown net debt excluding the NZS Fund and advances.
e Growth rates based on trade figures taken from the Balance of Payment in NZ$.

Source: Statistics New Zealand online information; New Zealand Treasury online information; New Zealand Reserve Bank online information; and data received by the authorities.

1.3 Sectorial Structure

1.12. The structure of New Zealand's economy has not changed much over the past few years. Agriculture, forestry, and fishing continue to play a key role, accounting for 6.9% of current GDP in 2011/12[13] (up from 5.4% in 2008/09) and 6.8% of total employment in the same year (Table 1.2). Together with mining, these subsectors made up 9.0% of GDP in 2011/12 and three-quarters of merchandise exports, underlying New Zealand's high reliance on the primary sector.

Table 1.2 Basic economic indicators, 2008/09-2013/14

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
GDP by economic activity at 2009/10 prices (% change)						
Agriculture, forestry and fishing	9.2	0.2	-5.9	14.1	2.5	-3.0
Mining	-0.3	2.0	-3.8	-13.7	3.2	1.4
Manufacturing	-7.8	-4.9	1.9	-0.1	0.9	1.5
Electricity, gas, water and waste management	0.7	4.9	2.8	-2.2	-0.5	0.1
Construction	-10.7	-0.3	-4.7	3.3	10.8	10.9
Services	-0.6	0.3	2.7	2.2	1.7	2.5
Wholesale trade	-4.6	-6.1	6.7	2.9	2.1	2.2
Retail trade and accommodation	-4.3	-0.1	1.9	3.9	2.8	4.2
Transport, postal and warehousing	-1.0	-2.2	7.8	2.7	1.1	0.7
Information media and telecommunications	1.8	0.9	5.7	4.5	3.2	0.9
Finance and insurance	1.9	2.4	0.8	1.1	1.6	4.4
Rental, hiring and real estate services	-1.4	0.5	1.2	4.1	1.1	1.2

[13] The year 2011/12 is the most recent year for which current GDP data by sectors is available.

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Professional, scientific and technical services; administrative and support services	-4.0	0.2	6.0	1.6	2.1	3.4
Public administration and safety	6.8	0.4	1.6	0.3	-0.2	2.3
Education and training	2.7	1.0	0.0	0.3	0.2	0.6
Health care and social assistance	4.0	3.6	-0.5	-0.3	4.1	4.6
Arts and recreation and other services	-0.5	1.6	-0.6	1.3	0.3	2.2
Share of sectors in current GDP (%)						
Agriculture, forestry and fishing	5.4	6.2	7.2	6.9	..	..
Mining	2.5	2.3	2.3	2.1	..	..
Manufacturing	13.8	12.6	12.1	12.1	..	..
Food manufacturing	4.5	3.1	3.1	3.5	..	..
Electricity, gas, water and waste management	3.4	3.5	3.5	3.4	..	..
Construction	6.0	6.0	5.7	5.8	..	..
Services	68.9	69.4	69.1	69.7	..	..
Wholesale trade	5.2	5.3	5.5	5.5	..	..
Retail trade	4.9	4.6	4.5	4.4	..	..
Accommodation and food services	2.1	2.2	2.2	2.2	..	..
Transport, postal and warehousing	4.3	4.5	4.8	5.0	..	..
Information media and telecommunications	3.3	3.3	3.2	3.2	..	..
Finance and insurance	5.4	6.3	5.5	5.9	..	..
Rental, hiring and real estate services	6.5	6.9	6.9	7.1	..	..
Owner-occupied property operation	6.9	6.1	6.3	6.4	..	..
Professional, scientific and technical services	8.0	7.7	7.8	7.7	..	..
Administrative and support services	2.3	2.0	2.1	2.2	..	..
Public administration and safety	4.8	4.9	4.7	4.7	..	..
Education and training	5.0	5.2	5.2	5.2	..	..
Health care and social assistance	6.5	6.7	6.6	6.4	..	..
Arts and recreation services	1.6	1.6	1.6	1.6	..	..
Other services	2.2	2.2	2.2	2.1	..	..
Share of sector in total employment (%)						
Agriculture, forestry and fishing	6.7	6.6	6.9	6.8	6.7	6.5
Mining and quarrying	0.3	0.3	0.3	0.3	0.3	0.3
Manufacturing	12.1	11.5	11.3	11.3	11.0	10.8
Electricity, gas, water and waste management	0.8	0.7	0.8	0.8	0.8	0.8
Construction	8.4	8.3	8.0	7.9	7.7	8.1
Services	71.2	72.3	72.4	72.6	73.2	73.2
Wholesale trade	4.5	4.8	4.9	4.7	4.2	4.0
Retail trade and accommodation	15.9	15.4	15.4	14.9	15.2	15.7
Transport, postal and warehousing	4.5	4.3	4.2	4.4	4.8	4.7
Information media and telecommunication	1.8	1.9	2.0	2.0	2.0	1.9
Finance and insurance activities	3.0	3.2	2.9	3.1	3.2	3.1
Rental, hiring and real estate activities	1.9	1.7	1.7	1.7	1.6	1.7

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Professional, scientific, technical, administrative and support services	10.9	11.0	10.9	11.0	11.3	11.7
Public administration and safety	5.1	5.6	5.6	5.6	5.5	5.2
Education and training	8.3	8.6	8.8	9.0	8.7	8.5
Health care and social assistance	9.5	10.2	10.3	10.4	10.5	10.7
Other services	5.8	5.5	5.6	5.9	6.0	6.0
Not classified or provided	0.5	0.4	0.3	0.3	0.4	0.3

.. Not available.

Note: Figures are based on New Zealand's fiscal year April-March.

Source: New Zealand Statistics online information and data provided by the authorities.

1.13. Manufacturing is also an important contributor to the economy, although its shares in GDP and employment have declined in recent years to 12.1% (2011/12) and around 11%, respectively. While there has been some diversification towards higher value-added and knowledge-intensive products, food processing and other resource-based industries remain the largest components of manufacturing activity.

1.14. Services are by far the leading sector of the economy, accounting for 69.7% of current GDP (2011/12) and about 73% of total employment, but their growth pace (averaging 1.9% annually between 2008/09 and 2013/14) has been more moderate than during the previous review period.

1.4 Monetary and Exchange Rate Policies

1.15. The RBNZ is responsible for conducting monetary policy, whose main objective is to maintain price stability, while avoiding "unnecessary instability in output, interest rates and the exchange rate", and having regard to the soundness and efficiency of the financial system. Inflation targeting is used to control inflation through agreements signed between the Governor of the RBNZ and the Minister of Finance. The most recent Policy Targets Agreement (September 2012) kept the inflation target at 1%-3% on average over the medium term, but added a requirement to maintain average annual inflation close to the 2% midpoint.[14] It also required the RBNZ to monitor asset prices. The main instrument used by the RBNZ to implement monetary policy is the Official Cash Rate (OCR).

1.16. During most of the review period, monetary policy maintained an accommodative stance in order to support economic recovery, while maintaining price stability. After lowering the OCR to 2.5% in April 2009, the RBNZ kept the policy rate at the same level up until early 2014, except for a short interval.[15] Annual CPI inflation averaged 2.3% over the review period[16], and was within the target band for most of the review years, except in 2008/09 and 2011/12 (Table 1.1). Helped by a strong exchange rate that lowered prices for tradables, CPI inflation fell below the midpoint in the last two fiscal years and stood at 1.3% in 2013/14.

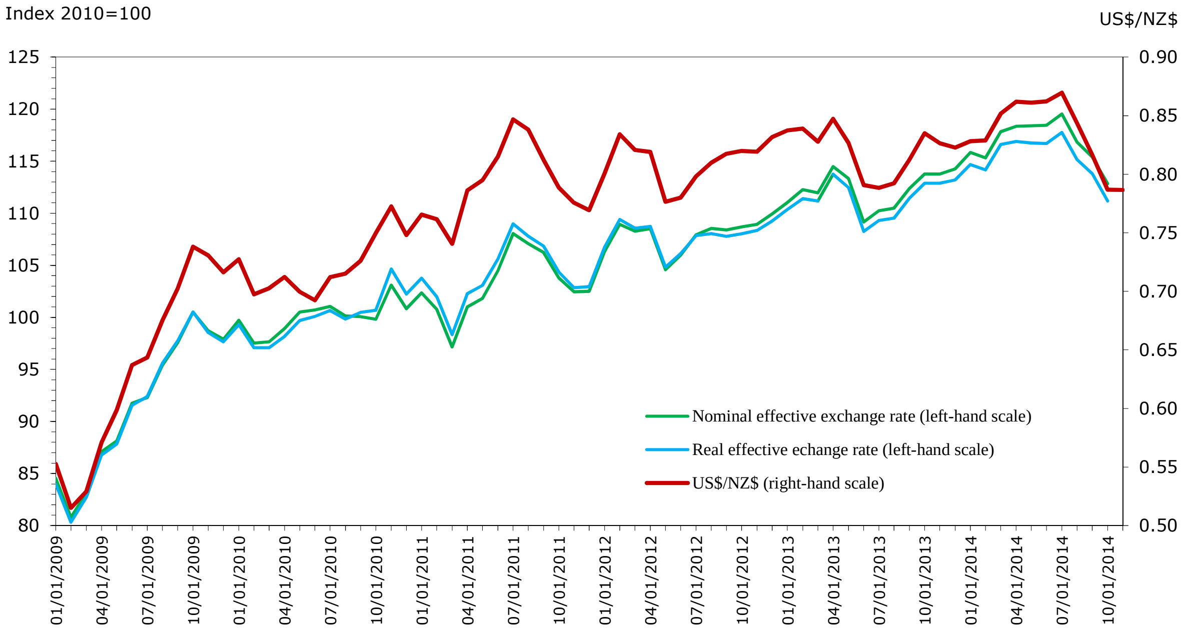
1.17. In March 2014, the RBNZ began tightening monetary policy as growth in domestic demand gathered momentum, excess capacity diminished, and inflationary pressures started to build up, owing in part to high housing prices. The OCR was first increased to 2.75%, and after several subsequent increases, stood at 3.5% in September 2014. The RBNZ has announced a period of monitoring and assessment before further adjustments, but expects that further policy tightening may be necessary to keep inflation near the target midpoint.[17]

[14] The inflation target has remained unchanged since 2002.
[15] The RBNZ increased the OCR to 3% in July 2010, but cut it back to 2.5% following the February 2011 earthquakes.
[16] Excluding the direct impact of the value-added tax (GST) increase in 2010, the average annual CPI inflation was 1.9%.
[17] RBNZ Monetary Policy Statement, September 2014. Viewed at: http://www.rbnz.govt.nz/monetary_policy/monetary_policy_statement/2014/mpssep14.pdf.

1.18. In order to counter inflation in the housing market and strengthen the resilience of the financial system in general, the RBNZ introduced "speed limits" on high-loan-to-value (LVR) mortgage lending by banks in October 2013.[18] These restrictions led to a significant reduction in housing market turnover and a moderation in mortgage lending and house prices. The initiative also enabled the rise in the OCR to be deferred until March 2014 (section 4.5.2.1).

1.19. The NZ dollar appreciated significantly during the years under review, with the real effective exchange rate appreciating by 23% between 2008/09 and 2013/14 (Chart 1.1). According to IMF estimates for 2013, the exchange rate was about 5-15% higher than would be consistent with medium-term fundamentals. A number of short-term factors explained this, including high terms of trade, interest rate differentials, New Zealand's bright growth prospects and increased portfolio and official flows into the country.[19]

Chart 1.1 Exchange rates, January 2009-October 2014



Source: IMF, International Financial Statistics online information.

1.20. In September 2014, the Governor of the RBNZ stated that the exchange rate was well above its sustainable level and the levels justified by short term business cycle factors, and that it was susceptible to a significant downward adjustment over the next months.[20]

1.21. Since July 2014, the RBNZ has intervened in the foreign exchange market to counter the appreciation of the N.Z. dollar. A persistently strong exchange rate could hamper New Zealand's international competitiveness and growth in the export sector.

1.5 Fiscal Policy and Tax Reform

1.22. After many years of fiscal surpluses, the domestic economic recession that started in early 2008 and the effects of the global financial crisis led to decreased revenues and rising expenditure thus weakening New Zealand's fiscal position. Throughout the review years, the Government's operating balance (before gains and losses) registered a deficit, reaching a peak of 9.2% of GDP in the year ending in June 2011[21] (Table 1.1). Since then, the deficit has been

[18] In May 2013, the Governor of the RBNZ and the Minister of Finance signed a Memorandum of Understanding setting out a macro-prudential policy framework and its operating guidelines.
[19] IMF (2014).
[20] RBNZ online information. Statement by the RBNZ Governor, Graeme Wheeler, 25 September 2014. Viewed at: http://www.rbnz.govt.nz/research_and_publications/speeches/2014/5882607.pdf.
[21] Fiscal data are based on years ending in June.

gradually reduced to 1.3% of GDP in 2013/14, mainly on account of spending restraint. Total expenditure as a share of GDP declined during the review years (except in 2010/11) to 40.2% of GDP in 2013/14. Nevertheless, capital spending (including on transport infrastructure, ultrafast broadband, schools, and hospitals) has increased. Total revenue as a percentage of GDP fell from 42.8% in 2008/09 to 39% in 2013/14, with tax revenue declining from 29.4% to 26.8% of GDP in the same period. As a result, net public debt rose significantly to 26.2% of GDP in 2013/14, from 9.2% in 2008/09. Although debt levels are low compared to other advanced economies, New Zealand faces relatively higher borrowing costs.

1.23. The Public Finance Act 1989 contains provisions to enhance transparency and predictability in the budget process and requires the Government to conduct fiscal policy in accordance with the principles of responsible fiscal management. The Act was amended in 2013 to revise existing principles and add three more. The existing principles include, *inter alia*, reducing debt to prudent levels and ensuring that on average total operating expenses do not exceed total operating revenues. The new principles require the Government to formulate fiscal strategy recognizing the interaction with monetary policy and its likely impact on present and future generations, and to ensure that the Crown's resources are managed effectively and efficiently.

1.24. The New Zealand Government is committed to fiscal consolidation. The 2014 Budget and the 2014 Fiscal Strategy Report set out short and long term fiscal objectives. These include returning the operating balance (before gains and losses) to a surplus no later than 2014/15, and reducing net public debt to below 20% of GDP by 2020 and maintaining it within a range of around 10% to 20% of GDP over the economic cycle. Balancing the operating budget will be achieved mainly by restraining spending, with total expenses forecast to fall to 39.1% of GDP and total revenues forecast to be 40.1% of GDP by 2016/17. The priority for new spending will be given to health and education. Besides fiscal consolidation, the Government's plan involves building a more productive and competitive economy through a wide-ranging programme of microeconomic reforms set out in its Business Growth Agenda; delivering better public services; and supporting the rebuild of Christchurch. These objectives were reconfirmed in the 2015 Budget Policy Statement.[22] According to latest forecasts, the Government is expected to reach a surplus in its operating balance in 2015/16.[23]

1.25. The main tax reforms during the review period were introduced by the Budget 2010. Its overarching objectives were to: lift economic growth by improving incentives to work, save and invest; improve the fairness, coherence and integrity of the tax system; and support New Zealand's international competitiveness. The cornerstone of the 2010 tax reform was a significant reduction in income tax rates across-the-board (Table 1.3), funded by an increase in the Goods and Services Tax (GST) from 12.5% to 15%, and by tax base-broadening measures (including the removal of depreciation on most buildings) and measures aimed at reducing tax avoidance. The company tax rate was also reduced (from 30% to 28%) as from 2011/12 to make it more attractive for business to locate in New Zealand. At the same time, the tax package included measures to compensate vulnerable individuals for the increase in the GST.[24]

Table 1.3 Tax reform: personal income tax rates, Budget 2010

Income range	Tax rate before 1 October 2010 (%)	Tax rate from 1 October 2010 (%)
Up to NZ$14,000	12.5	10.5
NZ$14,001-NZ$48,000	21.0	17.5
NZ$48,001-NZ$70,000	33.0	30.0
Over NZ$70,000	38.0	33.0

Source: 2010 Budget, Minister's Executive Summary, Building the Recovery, 20 May 2010. Viewed at: http://www.treasury.govt.nz/budget/2010/execsumm/b10-execsumm.pdf.

1.26. New Zealand's rapidly ageing population poses a challenge to fiscal sustainability in the medium to long term, although less so than in other developed countries. According to New Zealand's Long term Fiscal Statement, published in July 2013, ageing-related pension and

[22] Treasury online information. Viewed at: http://www.treasury.govt.nz/budget/2015/bps/01.htm.
[23] Treasury (2014b).
[24] Treasury, 2010 Budget, Minister's Executive Summary, Building the Recovery, 20 May 2010. Viewed at: http://www.treasury.govt.nz/budget/2010/execsumm/b10-execsumm.pdf.

health costs would exert significant pressures on public finances in the coming decades. Government spending on healthcare is projected to grow from 6.8% of GDP in 2010 to 10.8% in 2060. Moreover, spending on New Zealand's Superannuation (the universal public pension system) is projected to rise from 4.3% of GDP in 2010 to 7.9% in 2060.[25]

1.27. Taking into account tight financial constraints and given that welfare and social programmes are an important part of public spending, the Government is currently reforming its welfare system in order to reduce long-term welfare dependency and focus on effective support services and social programmes that boost skills and employment. The Government is also intent in continuing to reprioritize public spending in infrastructure and other sectors that are growth enhancing, and to deliver better value from money from public services. It is also important to note that the Government has recently sold part of its shares in several Crown-owned enterprises, which has generated proceeds equivalent to almost 3% of GDP.

1.6 Balance of Payments

1.28. New Zealand has traditionally run a current account deficit, reflecting a persistent shortfall in domestic savings that has been financed by overseas borrowing (Table 1.4). During the review period, the current account deficit was mainly driven by a large deficit on the investment income account, which could not be offset by a generally positive goods and services balance.

1.29. After a large increase associated with the global financial crisis (2008/09), New Zealand's current account deficit decreased to 1.5% of GDP in the year ending March 2010, helped by a surplus in the goods balance (due to a sharp decline in imports) and a narrowing of the investment income deficit. In 2011/12 and 2012/13, the deficit widened again as the goods and investment income balances deteriorated. In 2013/14, strong terms of trade helped narrow down the current account deficit to NZ$6 billion or 2.6% of GDP. However, the deficit is expected to widen again in the medium-term, partly due to increased imports associated with the post-earthquakes rebuild and to rising costs in servicing the foreign debt.[26]

Table 1.4 Balance of payments, 2008/09-2013/14

(NZ$ million, year end-March)

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Current account	-13,459	-2,832	-5,625	-6,674	-7,966	-6,004
Goods and services balance	-475	4,511	4,668	3,298	1,527	3,948
Trade balance	-2,093	2,126	2,927	1,963	516	2,680
Exports	44,114	39,941	45,290	48,042	46,528	50,409
Imports	46,207	37,814	42,363	46,079	46,012	47,729
Services balance	1,618	2,385	1,741	1,335	1,011	1,268
Credit	16,645	15,891	16,269	16,707	16,234	16,766
Debit	15,028	13,506	14,528	15,371	15,223	15,498
Primary income	-13,744	-7,964	-10,117	-9,667	-9,092	-9,517
Credit	5,954	5,376	5,551	6,439	6,837	7,000
Investment income	5,954	5,376	5,551	6,439	6,837	7,000
Debit	19,697	13,340	15,669	16,106	15,929	16,517
Investment income	19,550	13,227	15,536	15,966	15,759	16,337
Compensation of employees	148	113	133	140	170	180
Current transfers	760	620	-176	-305	-401	-435
Credit	2,361	2,022	1,173	1,263	1,275	1,265
General government	1,707	1,486	598	659	668	668
Other sector	654	536	575	604	607	597
Debit	1,601	1,402	1,348	1,567	1,676	1,699
General government	603	538	543	582	544	636
Other sector	998	864	806	986	1,132	1,063

[25] Treasury (2013).
[26] Treasury (2014a).

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Capital and financial account	4,302	5,230	7,630	12,980	4,098	-1,890
Capital account	1,133	17	18,871	929	-1	0
Financial account	3,169	5,213	-11,241	12,051	4,099	-1,890
New Zealand investment abroad	-18,643	6,464	25,592	-10,393	5,313	946
Direct investment	-1,131	-2,998	1,171	-981	-80	-1,235
Portfolio investment	-3,690	7,260	-8	3,437	8,006	7,693
Financial derivatives	2,082	-1,827	14	-312	692	-545
Other investment	-5,906	-2,463	22,323	-12,752	-4,616	-2,890
Reserve assets	-9,999	6,493	2,092	215	1,312	-2,078
Foreign investment in New Zealand	-15,474	11,677	14,351	1,658	9,412	-944
Direct investment	4,303	-587	2,738	1,476	4,055	318
Portfolio investment	-18,717	12,724	10,578	3,918	12,448	2,139
Financial derivatives	-269	-130	390	-79	-296	164
Other investment	-790	-330	645	-3,658	-6,796	-3,564
Net errors and omission	9,157	-2,397	-2,006	-6,306	3,868	7,894
Memorandum						
Current account as % of GDP	-7.2	-1.5	-2.8	-3.2	-3.7	-2.6
Balance of payment as % of GDP	5.3	-3.4	-1.0	-0.1	-0.6	0.9

Source: Statistics New Zealand online information.

1.30. New Zealand's net foreign liabilities as a percentage of GDP were reduced over the review years from a high of 85% in 2008/09 to 65.6% in the year ending March 2014, a level which is still relatively high. Initially, the decrease was mainly due to one-off reinsurance claims associated with the Canterbury earthquakes. However, the effect of these claims on net international liabilities has been decreasing with time. By end September 2014, about three-fourths of the claims had been settled. Official external reserves fluctuated during the years under review, and stood at NZ$21 billion (or 9.1% of GDP) by end-March 2014 (Table 1.1).

1.31. Total external debt amounted to NZ$232.8 billion at end March 2014 and its share in GDP was 101.2%, down from 124% at end March 2009. By end September 2014, total external debt was NZ$244.5 billion (103.3% of GDP). Most of external debt (79%) is held by the private sector.

1.7 Trade Performance

1.32. New Zealand's external trade (exports and imports) of goods and services was equivalent to 56.7% of real expenditure GDP in 2013/14 (compared to 65% in 2008/09) (Table 1.1). This reflects a relatively lower trade exposure than one would expect given the economy's small size and degree of openness. New Zealand ranked as the world's 43th exporter and 42nd importer of goods, and as the 30th exporter and 38th importer of commercial services.[27]

1.33. Based on balance-of-payments figures, New Zealand's merchandise exports grew at an average annual rate of 2.7% between 2008/09 and 2013/14, while merchandise imports increased on average by 0.7% annually between the same years. During the review period, the performance of New Zealand's trade of goods and services was subject to important fluctuations in commodity prices and the exchange rate. Significant increases in global commodity prices in 2011, 2013 and the first part of 2014 led to near record high terms of trade for New Zealand (Table 1.1). Overall, the terms of trade increased by an annual average of 3.6% between 2008/09 and 2013/14. On the other hand, the appreciation of the exchange rate has had a restricting effect on non-agricultural exports.

[27] Counting the EU28 as one (WTO, *International Trade Statistics 2014*. Viewed at: http://www.wto.org/english/res_e/statis_e/its2014_e/its14_toc_e.htm).

1.7.1 Composition of merchandise trade

1.34. The primary sector continues to be the most important contributor to New Zealand's export earnings. According to United Nations Comtrade data, the share of primary products in total merchandise export value rose from 69.7% in 2009 to 75.7% in 2014, due mainly to increases in exports of agricultural products (Chart 1.2 and Table A1.1). Dairy and meat products are the main agricultural exports, making up about 38% of total merchandise exports, and have benefitted from high global commodity prices during part of the review period; wood products have also been quite dynamic. By contrast, the share of manufactures in merchandise export value declined from 25.6% in 2009 to 19.9% in 2014, with drops in the shares of machinery and transport equipment, chemicals and other semi-manufactures.

1.35. New Zealand's imports are dominated by manufactured products and raw materials. Manufactures accounted for 70.7% of the import bill in 2014, a slight decrease from their share in 2009. Machinery and transport equipment (mainly automotive products) accounted for 37.9% and chemicals for 10.4% of all merchandise imports in 2014 (Chart 1.2 and Table A1.2). The share of primary products in total import value was 28.5% in 2014, with fuels accounting for 15% (down from almost 17% in 2013).

1.7.2 Direction of merchandise trade

1.36. The direction of New Zealand's merchandise trade has changed significantly during the review period, with China becoming New Zealand's largest single trading partner, ahead of Australia, and other Asian emerging economies gaining more importance as trading partners. In fact, China's strong and rapidly growing demand for New Zealand's agricultural commodities (in particular dairy and forestry products) has been the major driver of New Zealand's rising commodity export prices and terms of trade in recent years.

1.37. China has become New Zealand's largest export market, taking 19.9% of total exports in value terms (up from 9.1% in 2009) and overtaking Australia with 17.5% (Chart 1.3 and Table A1.3). Exports to Australia, in particular manufactured products, seem to have benefitted from the Closer Economic Relations agreement with that country.[28] Other important export destinations in 2014 were the European Union-28 (9.6%), the United States (9.4%), and Japan (5.9%). However, since 2009, Japan's shares have gradually declined, while demand for New Zealand's exports from other economies in Asia, such as the Republic of Korea, Chinese Taipei, Malaysia, Thailand, and Viet Nam has been increasing. The Republic of Korea, with a share of 3.5% of exports, has now overtaken the United Kingdom (3.1%) as New Zealand's fifth largest export market.

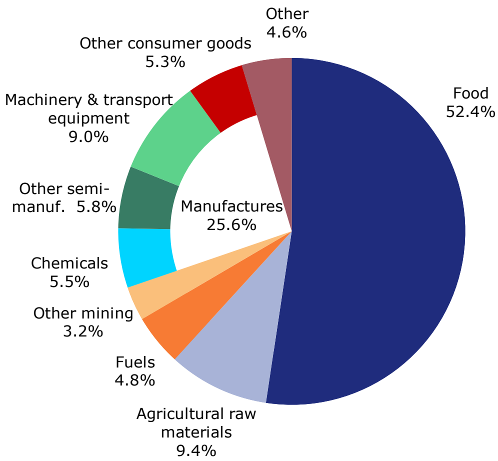
1.38. The European Union as a group accounted for 17.5% of New Zealand's imports in 2014. However, China was New Zealand's main single source of merchandise imports, supplying 16.9% of total import value. Imports from China comprise mainly telecommunications equipment, computers, clothing and toys. Australia supplied 12.2% of total merchandise imports, followed by the United States (11.6%), and Japan (6.7%). Imports from other Asian economies are growing in importance too, with the Six East Asian Traders (Malaysia; Republic of Korea; Singapore; Thailand; Chinese Taipei; and Hong Kong, China) accounting for 18.2% of total import value in 2014 (Chart 1.3 and Table A1.4).

[28] Treasury (2014a).

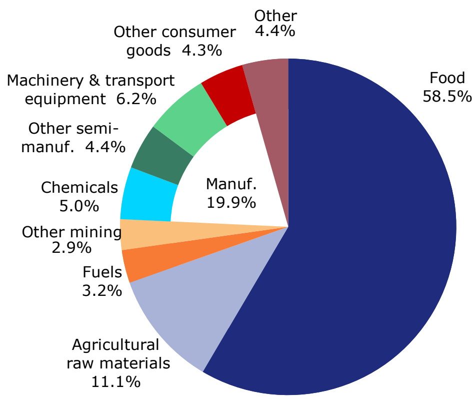
Chart 1.2 Product composition of merchandise trade, 2009 and 2014

2009 | **2014**

(a) Exports (f.o.b.)

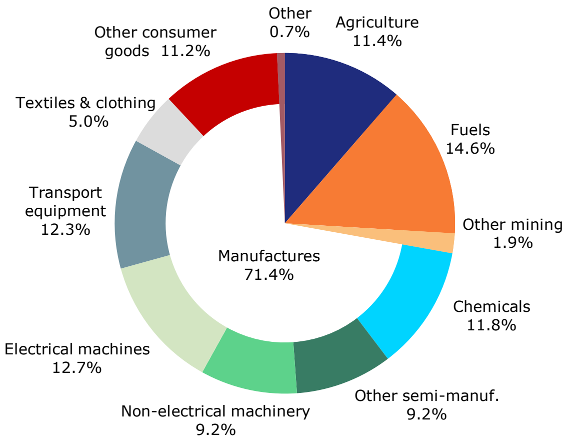


Total: US$24.9 billion

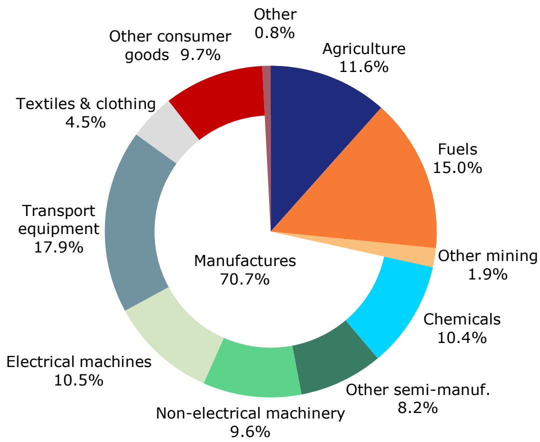


Total: US$42.4 billion

(b) Imports (c.i.f.)



Total: US$25.6 billion



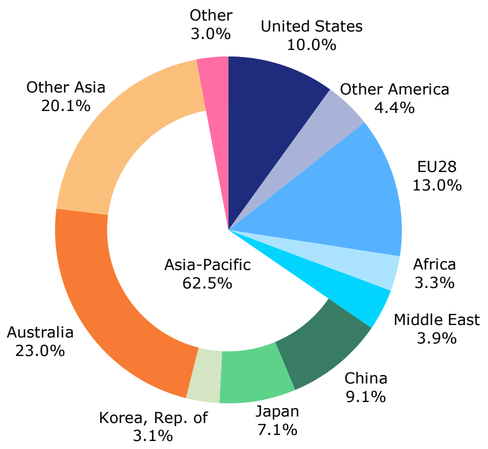
Total: US$43.3 billion

Source: UNSD, Comtrade database (SITC Rev.3).

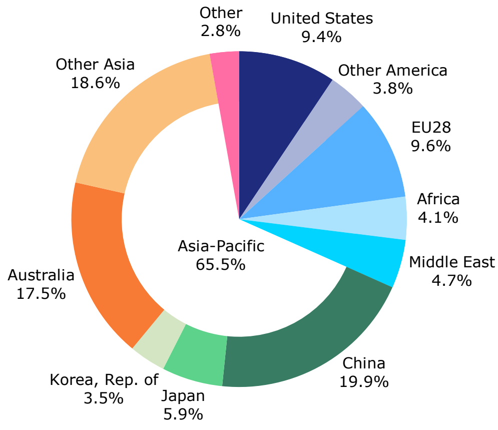
Chart 1.3 Direction of merchandise trade, 2009 and 2014

2009 | **2014**

(a) Exports (f.o.b.)

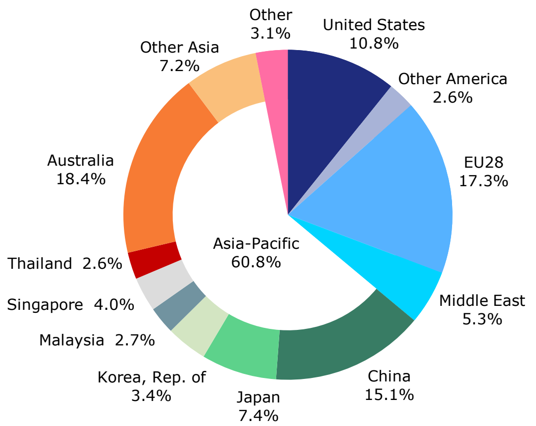


Total: US$24.9 billion

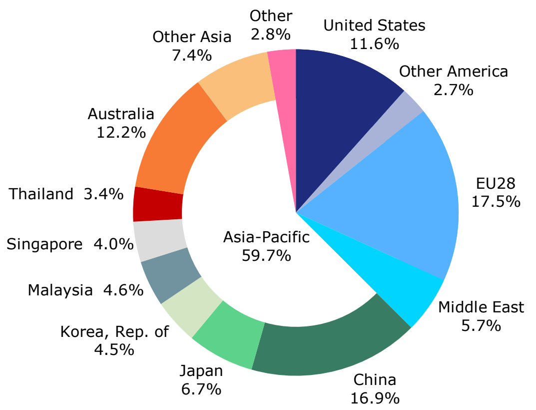


Total: US$42.4 billion

(b) Imports (c.i.f.)



Total: US$25.6 billion



Total: US$43.3 billion

Source: UNSD, Comtrade database.

1.7.3 Services trade

1.39. Services exports are an important source of foreign exchange, accounting for about 25% of total export receipts (merchandise and services). The services trade balance maintained a surplus throughout the period under review although exports of services hardly increased in real terms during the same period (real annual growth averaged 0.1% between 2008/09 and 2013/14). The high New Zealand dollar has weighed on the performance of services exports, in particular on tourism.

1.40. In the year ending in March 2014, New Zealand's exports of services amounted to NZ$16.7 billion, while imports of services totalled NZ$15.5 billion. Travel (tourism) services are by far the most important, accounting for 56.3% of total value of exports of services in 2013/14 (Table 1.5). The largest source of inbound tourism is Australia, followed by China, the United States, and the UK, but a number of Asia markets have been growing in importance. Transportation, especially air transport, is the second largest export service with a share of 15%; followed by other business services (10.4%). Imports of services are also dominated by travel, which accounted for 30.8% of total value of services imports in 2013/14, followed by transportation (25%), with sea and air transport imports contributing each with similar shares, and other business services (19.8%).

Table 1.5 Composition of trade in services, 2008/09-2013/14

(NZ$ million, year end-March)

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Total credit	16,645	15,891	16,269	16,707	16,234	16,766
	% of total credit					
Maintenance and repair	2.0	2.2	3.0	2.8	2.4	3.1
Transportation	16.2	14.8	15.5	15.6	15.9	15.0
Sea transport	3.0	2.6	3.0	3.3	3.2	3.0
Air transport	12.9	11.8	12.3	11.9	12.3	11.7
Travel	58.3	58.8	55.8	54.9	54.5	56.3
Business	4.9	4.4	4.4	4.1	4.2	4.4
Personal	53.3	54.4	51.4	50.8	50.2	51.9
Construction	0.2	0.1	0.1	0.1	0.1	0.1
Insurance and pension	0.3	0.3	0.3	0.3	0.3	0.3
Financial service	2.4	3.1	3.0	3.3	3.6	4.1
Telecommunication, computer and information	3.8	3.8	4.3	4.4	4.4	4.0
Royalties and licence fees	1.7	1.8	2.4	2.3	2.3	2.3
Other business services	10.5	10.2	11.4	11.4	11.1	10.4
Personal, cultural and recreational services	3.5	3.8	3.1	3.8	4.2	3.2
Government services	1.0	1.1	1.1	1.1	1.2	1.3
Total debit	15,028	13,506	14,528	15,371	15,223	15,498
	% of total debit					
Maintenance and repair	2.1	1.6	1.9	1.9	1.3	1.0
Transportation	30.1	26.2	27.2	25.6	25.1	25.4
Sea transport	15.3	11.5	12.6	11.6	11.8	12.5
Air transport	14.3	14.0	14.0	13.5	12.8	12.2
Travel	27.9	29.8	29.2	28.9	30.0	30.8
Business	5.6	5.6	5.9	5.7	5.9	5.8
Personal	22.3	24.2	23.3	23.1	24.1	25.0
Construction	1.1	1.4	0.5	0.8	0.3	0.2
Insurance and pension	2.0	2.5	2.5	3.8	5.0	5.5
Financial service	2.3	3.2	3.0	2.7	3.0	2.9
Telecommunication, computer and information	5.3	5.5	5.2	5.5	6.0	4.8
Royalties and licence fees	5.9	6.7	7.0	8.3	8.1	7.5
Other business services	21.3	20.7	21.3	20.6	19.5	19.8
Personal, cultural and recreational services	0.9	1.0	1.0	0.9	0.9	0.9
Government services	1.1	1.2	1.1	1.0	0.9	1.2

Source: Statistics New Zealand online information.

1.8 Foreign Direct Investment

1.41. The stock of inward FDI increased from NZ$79.3 billion at 31 March 2009 to NZ$97.4 billion at 31 March 2014, equivalent to 42.3% of GDP (Table 1.6). Australia remains the largest overseas investor, accounting for 57% of total inward FDI stock as at end-March 2014 (up from 53.3% as at end-March 2009), followed by the United States (8.4%) and the United Kingdom (8.2%). The European Union, as a group, accounted for 9%. Singapore and Japan are the largest Asian sources of FDI stock in New Zealand. By economic activity, the main recipients of inward FDI are the financial sector (31.4%), manufacturing (13.1%), and professional, scientific and technical services (6%).

Table 1.6 Inward stock of foreign direct investment, 2008/09-2013/14

(NZ$ million and %, year end-March)

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Total inward FDI stock	79,346.0	81,068.0	80,449.0	87,479.0	89,622.0	97,373.0
% of GDP	42.3	42.0	39.9	41.6	41.6	42.3
By origin (% of total)						
Australia	53.3	56.1	57.1	59.5	58.7	57.0
Belgium	0.0	0.5	..[a]	0.2	0.1	0.0
Canada	1.8	1.4	1.3	1.3	1.4	2.0
Cayman Islands	1.5	1.3	0.9	1.2	1.4	1.0
Channel Islands	2.5	2.7	2.4	1.9	..[a]	..[a]
China, People's Republic of	..[a]	..[a]	..[a]	0.2	0.4	0.7
France	0.4	0.3	0.3	0.0	0.1	0.2
Germany	0.8	1.0	1.0	0.8	-0.7	-0.4
Hong Kong, China	1.4	1.6	1.3	1.2	1.8	3.1
Ireland	0.4	0.3	0.1	0.1	0.1	0.2
Japan	3.2	3.0	3.9	3.6	3.5	3.7
Korea, Republic of	..[a]	..[a]	..[a]	..[a]	..[a]	0.0
Netherlands	5.1	4.2	3.5	3.9	3.2	2.9
Singapore	2.9	1.2	2.5	2.8	4.5	4.1
Switzerland	0.2	0.2	0.3	0.6	0.6	0.4
United Kingdom	4.4	4.4	3.7	3.6	6.2	8.2
United States of America	15.0	14.3	13.8	12.4	11.4	8.4
Virgin Islands, British	3.4	..[a]	3.1	2.8	2.7	2.8
By economic activity (% of total)						
Agriculture, forestry, and fishing	5.9	5.9	5.2	5.1	5.3	5.7
Mining	3.1	4.3	4.4	3.4	3.4	3.1
Manufacturing	17.7	17.6	17.5	16.2	15.1	13.1
Electricity, gas, water, and waste	3.1	3.6	4.5	4.1	4.3	4.4
Construction	0.6	0.9	0.9	0.9	0.6	0.6
Wholesale trade	6.6	6.6	5.7	4.4	3.9	4.1
Retail trade	6.3	5.5	6.0	5.7	5.7	5.3
Accommodation and food services	1.1	1.1	1.1	0.8	0.7	0.6
Transport, postal, and warehousing	0.8	0.7	0.5	0.7	0.5	0.4
Information media and telecommunications	5.2	4.9	4.6	4.7	2.6	1.8
Financial and insurance services	23.4	25.2	25.8	28.6	30.3	31.4
Rental, hiring, and real estate services	6.3	3.8	4.4	5.4	5.7	4.3
Professional, scientific, and technical services	4.4	4.2	4.0	4.1	5.4	6.0
Administrative and support services	0.4	0.3	0.3	0.2	0.3	0.4
Public administration and safety	..[a]	..[a]	..[a]	..[a]	..[a]	..[a]

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Education and training	0.0	0.0	..[a]	..[a]	..[a]	0.0
Health care and social assistance	1.4	1.2	1.1	1.7	1.4	1.3
Arts and recreation services	..[a]	..[a]	..[a]	..[a]	..[a]	..[a]
Other services	..[a]	..[a]	..[a]	..[a]	..[a]	..[a]
Unallocated	..[a]	..[a]	..[a]	13.3	14.3	17.3

a Confidential. Other countries having confidential data include, e.g. Argentina, Bermuda, Malaysia, Chinese Taipei, United Arab Emirates.

Source: New Zealand Statistics online information.

1.42. Between 2009 and 2013, New Zealand' stock of FDI abroad averaged NZ$23 billion. The stock showed a small decrease from NZ$24.8 billion as at end-March 2009 to NZ$23.2 billion as at end-March 2014 (Table 1.7). The main recipient of New Zealand's outward FDI stock is Australia (53.4% as at 31 March 2014); other important destinations are the United States and the United Kingdom. Most of New Zealand's outward FDI stock is invested in manufacturing activities.

Table 1.7 Outward stock of foreign direct investment, 2008/09-2013/14

(NZ$ million and %, year end-March)

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Total outward FDI stock	24,767	20,134	22,878	24,465	23,174	23,188
% of GDP	13.2	10.4	11.3	11.6	10.8	10.1
By origin (% of total)						
Australia	50.8	59.2	61.8	56.5	55.9	53.4
Canada	0.4	0.2	0.3	0.2	0.2	0.7
China, People's Republic of	0.7	0.6	0.5	0.6	0.3	0.4
Germany	..[a]	..[a]	..[a]	-0.1	-0.1	0.2
Hong Kong, China	2.6	3.2	2.5	2.7	3.5	2.5
Japan	0.3	..[a]	..[a]	..[a]	..[a]	..[a]
Malaysia	1.3	1.6	1.6	1.9	2.5	3.2
Netherlands	1.2	..[a]	..[a]	1.1	1.5	..[a]
Singapore	..[a]	..[a]	..[a]	7.3	7.0	..[a]
United Kingdom	4.9	5.2	4.8	4.5	4.8	6.3
United States of America	23.5	18.5	18.7	17.1	16.2	15.8
By economic activity (% of total)						
Agriculture, forestry, and fishing	..[a]	..[a]	..[a]	..[a]	0.0	..[a]
Mining	..[a]	..[a]	..[a]	..[a]	..[a]	..[a]
Manufacturing	52.5	41.8	41.3	39.3	42.6	40.6
Electricity, gas, water, and waste	..[a]	..[a]	..[a]	3.0	3.4	2.5
Construction	..[a]	..[a]	..[a]	..[a]	..[a]	..[a]
Wholesale trade	..[a]	..[a]	..[a]	15.5	11.8	14
Retail trade	2.1	2.2	1.9	..[a]	..[a]	..[a]
Accommodation and food services	..[a]	..[a]	..[a]	..[a]	..[a]	..[a]
Transport, postal, and warehousing	1.5	5.3	5.1	5.7	5.8	5.0
Information media and telecommunications	..[a]	..[a]	..[a]	..[a]	..[a]	..[a]
Financial and insurance services	7.7	4.1	7.2	6.0	5.6	4.0
Rental, hiring, and real estate services	..[a]	..[a]	..[a]	..[a]	..[a]	..[a]
Professional, scientific, and technical services	..[a]	..[a]	0.6	0.4	0.5	..[a]
Administrative and support services	..[a]	..[a]	..[a]	0.1	0.1	..[a]
Public administration and safety	0.0	0.0	0.0	0.0	0.0	0.0

	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Education and training	0.0	0.0	0.0	0.0	0.0	0.0
Health care and social assistance	0.0	0.0	0.0	..[a]	..[a]	..[a]
Arts and recreation services	..[a]	..[a]	..[a]	..[a]	..[a]	..[a]
Unallocated	..[a]	..[a]	..[a]	6.1	4.4	6.5

a Confidential. Other countries having confidential data include e.g. Argentina; Bermuda; Korea, Republic of; Chinese Taipei; United Arab Emirates.

Source: New Zealand Statistics online information.

2 TRADE AND INVESTMENT REGIME

2.1 Overview

2.1. New Zealand's general constitutional, legal and trade policy formulation frameworks have not significantly changed since its previous Review in 2009. The Ministry of Foreign Affairs and Trade (MFAT) in cooperation with relevant ministries and agencies formulates trade policy, including with respect to negotiations of Regional Trade Agreements (RTAs). The trade policy formulation process is usually conducted through wide stakeholder consultations. Since 2009, amendments have been made to trade and trade-related legislation in several areas, including customs procedures, tariff issues, sanitary and phytosanitary measures (SPS), technical barriers to trade (TBT), competition policy, telecommunications, and intellectual property rights. Furthermore, new legislation was adopted on topics such as government procurement, food standards, and patents.

2.2. The multilateral trading system remains New Zealand's main vehicle for providing more trading opportunities to its exporters, as well as addressing the challenges it faces as a small and remote country. However, New Zealand has increasingly engaged in RTAs to complement its participation in the WTO system. Ten RTAs are in place; of which, four entered into force during the review period (i.e. the Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation; the New Zealand-Malaysia Free Trade Agreement; the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA); and the New Zealand-Hong Kong, China Closer Economic Partnership Agreement).

2.3. New Zealand maintains preferential treatment for imports from least developed countries (LDCs) and developing countries (under the GSP). It has also been an active provider of Aid for Trade. Specific support measures are provided to Pacific Island Countries to build their capacity to trade, including through the ongoing Pacific Agreement on Closer Economic Relations (PACER) Plus negotiations. Since its previous Review, New Zealand has been directly involved in one WTO dispute settlement case as a complainant.

2.4. In general, New Zealand has an open foreign investment regime. However, by means of screening procedures, restrictions apply in a few areas of "critical interest", i.e. certain sensitive types of land, "significant business assets" other than land, and fishing quotas.

2.2 General Framework

2.5. New Zealand is a constitutional Monarchy and a fully independent member of the Commonwealth. Its constitutional and legal framework has not undergone any significant change during the review period.

2.6. All legislation is passed by a single chamber, the House of Representatives, which comprises triennially elected members. It holds the legislative power and is responsible for holding the Government accountable for its policies, including economic and trade related actions. The House has 120 seats, but extra seats may be added where there is an overhang. The last general election took place in September 2014 to determine the membership of the 51st New Zealand Parliament; 121 members were elected. New Zealand is a common law jurisdiction, with all law developed from case law and from statutes enacted by Parliament. New Zealand does not have a written constitution.

2.7. Based on the Westminster system of responsible government, executive power in New Zealand is based on the principle that "The Queen reigns, but the government rules, so long as it has the support of the House of Representatives". The head of state is the Queen, who is represented in New Zealand by the Governor-General. The head of Government is the Prime Minister. Prime ministers are not directly elected; by convention, the office is held by the party leader who commands a majority in the House. The Prime Minister is formally appointed by the Governor-General who also has the reserve power to dismiss him/her.

2.8. New Zealand's judiciary system has a pyramidal structure. At the top is the Supreme Court. Below it, in descending order, are the Court of Appeal, the High Court and the District Courts. These courts are all of general jurisdiction. There are several other specialized courts, including the Employment Court, the Environment Court and the Māori Land Court, which operate under the

District Courts. There are also a number of specialized tribunals which operate in a judicial or quasi-judicial capacity, such as the Disputes Tribunal, the Tenancy Tribunal and the Waitangi Tribunal.

2.3 Trade Policy Formulation and Objectives

2.9. The Ministry of Foreign Affairs and Trade (MFAT) is the principal government agency responsible for trade policy formulation in cooperation with technical ministries such as the Ministry of Business Innovation and Employment (MBIE). The MBIE was formed on 1 July 2012, bringing together four separate government agencies into one ministry. These agencies were: the Department of Building and Housing, the Ministry of Economic Development, the Department of Labour, and the Ministry of Science and Innovation. Various other government agencies have trade policy-related functions (sections 3 and 4).

2.10. When formulating trade policy, the MFAT actively shares information and consults with domestic interest groups including business people, unions, Māori and NGOs. A National Interest Analysis on the impact of any proposed preferential trade agreement is prepared prior to examination by Parliament of such agreement, and serves as a basis for public consultations.

2.11. Parliament has limited involvement in trade policy making. However, it has important responsibilities in ratifying treaties. The Executive cannot change New Zealand's domestic law by becoming party to a treaty. If the obligations contained in the treaty cannot be followed under existing law, the House of Representatives is required to pass the implementing measure prior to the ratification or accession to the treaty.

2.12. Parliament also holds oversight attributions on foreign policies, including trade policy. This is done through its committee on foreign affairs, defence and trade, especially by examining the MFAT's statement of intent and annual report which the ministry is required to produce every year. The statement of intent presented to Parliament under the Minister's authority outlines policy priorities, looking ahead five years, as well as specific policy-implementation proposals for the year ahead. As highlighted under the MFAT's 2014-18 Statement of intent, New Zealand's overall trade policy objectives seek to make an important contribution to the Government's goal of 'building a more competitive and productive economy' by pursuing improved market access and trade rules for New Zealand business, through high-quality trade agreements, including the eventual conclusion of the Doha Round, and opening doors for New Zealand companies globally.

2.13. The MFAT contributes to achieving this goal by leading the 'Building Export Markets' component of the Business Growth Agenda. The Business Growth Agenda is a programme of work that aims to support New Zealand businesses to grow, in order to create jobs and improve New Zealanders' standard of living. The Business Growth Agenda is delivering innovative initiatives and policy reforms that focus on six key "ingredients" businesses need to grow: export markets, innovation, infrastructure, skilled and safe workplaces, natural resources, and capital. Each of these has its own programme of work. Under the 'Building Export Markets' work stream, the Government has set an ambitious goal for New Zealand to increase the ratio of exports to GDP from the current 30% to 40% by 2025.

2.14. New Zealand introduced trade as a new sector priority in its Aid Programme in 2014. The purpose is to support Pacific Island Countries build their capacity to trade, including through implementation of the Pacific Agreement on Closer Economic Relations (PACER) Plus, once this is concluded.

2.15. During the review period, amendments were made to trade and trade-related legislation in several areas, including customs procedures, tariff issues, SPS, TBT, competition, telecommunications, and intellectual property rights. Furthermore, new laws were adopted on topics such as government procurement, food standards, and patents (section 3).

2.4 Trade Agreements and Arrangements

2.4.1 WTO

2.16. New Zealand became a founding Member of the GATT on 30 July 1948 and a Member of the WTO when it was created on 1 January 1995.

2.17. New Zealand is committed to the multilateral trading system. The authorities are of the view that as a country dependant on international trade, New Zealand benefits from clear and transparent trade rules that are applicable to all Members. At the Bali Ministerial Conference in 2013, New Zealand reiterated that the WTO remains its main focus in its efforts to address the challenges that it faces as a trading nation, and to promote broad-based and inclusive growth.[1] It has actively participated in WTO Trade Facilitation negotiations. However, it has not yet ratified the Agreement.

2.18. On 29 October 2014, the WTO Committee on Government Procurement adopted decisions inviting New Zealand to accede to the Government Procurement Agreement (GPA) on the basis of final market access offers negotiated over the past two years. This move is set to assist businesses in New Zealand gain access to procurement markets currently valued at up to US$1.7 trillion annually (section 3.4.5).

2.19. New Zealand sees the WTO's Trade Policy Review Mechanism as an important transparency instrument, especially to keep its exporters informed of new trade regulations of each member country.

2.20. New Zealand is represented in multilateral negotiations at the WTO by the Trade Negotiations Division of the Ministry of Foreign Affairs and Trade, in conjunction with New Zealand's Permanent Mission to the WTO. According to the authorities, input from businesses and individuals is welcomed.

2.21. New Zealand continues to defend its trade interests through the WTO's dispute settlement mechanism. Since 2009, New Zealand was directly involved in one dispute as a complainant. On 30 August 2013, New Zealand requested consultations with Indonesia concerning certain measures Indonesia imposes on the importation of horticultural products, animals and animal products.[2] New Zealand also participated as a third party in eight dispute settlement cases.

2.22. New Zealand continues to make regular notifications to the WTO (Table 2.1). In addition, it submits tariff and trade data annually to the WTO Integrated Data Base (IDB). However, as of February 2015, its latest bound schedule in HS12 had yet to be submitted to the WTO for verification.

Table 2.1 Status of selected notifications to the WTO, November 2014

Agreement	Requirement/content	Periodicity	WTO document and date (latest document if recurrent)
Agreement on Agriculture			
Articles 10 and 18.2	Tables ES:1 and ES:2 – Export subsidies	Annual	G/AG/N/NZL/85, 19/05/2014
Article 18.2	Table MA:2 – Imports under tariff quotas	Annual	G/AG/N/NZL/84, 19/05/2014
Article 18.2	Table DS:1 – Domestic Support	Annual	G/AG/N/NZL/86, 19/05/2014
Article 18.3	Table DS:2 – New or modified domestic support measures exempt from reduction	Ad hoc	G/AG/N/NZL/76, 05/07/2012
Articles 5.7 and 18.2	Table MA:5 – Special	Ad hoc	G/AG/N/NZL/83,

[1] WTO document WT/MIN(13)/ST/96, 9 January 2014.

[2] WTO documents WT/DS477/1, G/L/1068, G/AG/GEN/118, G/LIC/D/47, and G/PSI/D/3, 15 May 2014. Australia, Canada, the European Union, Chinese Taipei, Thailand and the United States have joined in the consultations requested by New Zealand.

Agreement	Requirement/content	Periodicity	WTO document and date (latest document if recurrent)
	safeguards		16/05/2014
Articles 16.2	Measures concerning the possible negative effects of the reform programme on least developed and net food importing developing countries		G/AG/N/NZL/82, 07/10/2013
Agreement on Implementation of Article VI of the GATT 1994 (Anti-dumping)			
Article 16.4	Reports concerning anti-dumping actions	Ad hoc	**G/ADP/N/260**, 15/07/2014
	Semi-annual reports of anti-dumping actions (taken within the preceding six months)	Semi-annual	G/ADP/N/259/NZL, 01/08/2014
Article 18.5	Laws and regulations	Once, then changes	G/ADP/N/1/NZL/2/Suppl.5, 13/06/2014
Articles 16.5	Competent authority to initiate anti-dumping investigations	Once, then changes	G/ADP/N/14/Add.35, 09/04/2013
Agreement on Implementation of Article VII of the GATT 1994 (Customs valuation)			
Article 22.2	Changes in laws, regulations and administration	Ad hoc	G/VAL/N/1/NZL/1, 28/08/1995
Understanding on the Interpretation of Article XVII:4(a) of the GATT 1994 (State trading)			
Article XVII:4(a)	Notification on state-trading enterprises	Ad hoc	G/STR/N/15/NZL, 22/05/2014
Understanding on the Interpretation of Article XXIV:7(a) of the GATT 1994 (Free-trade areas)			
Article XXIV:7(a) of the GATT 1994 and Article V:7(a) of the GATS	Free-trade area for trade in goods and trade in services	Ad hoc	NOTIFIED IN REVIEW PERIOD WT/REG348/N/1 and S/C/N/715, 25/11/2013 WT/REG284/N/2 and S/C/N/545/Add.1, 09/05/2012 WT/REG306/N/1 and S/C/N/615, 08/02/2010 WT/REG291/N/1 and S/C/N/578, 07/01/2011 WT/REG266/N/1 and S/C/N/491, 23/04/2009
General Agreement on Trade in Services			
Article III:4 and IV:2	Contact and enquiry points	Within two years from entry into force of WTO, then changes	S/ENQ/78/Rev.13, 04/12/2012
Agreement on Rules of Origin			
Annex II, Para. 4	Preferential rules of origin	Ad hoc	G/RO/N/113, 02/04/2014
Agreement on Safeguards			
Article 12.5	Notification and consultations on safeguard measures	Ad hoc	G/SG/N/12/NZL/1, 17/05/2002
Article 12.6	Laws and regulations	Once, then changes	G/SG/N/1/NZL/1, 07/04/1995
Agreement on the Application of Sanitary and Phytosanitary Measures			
Article 7 and Annex B	Laws, regulations and emergency measures	Ad hoc	G/SPS/N/NZL/509, 31/10/2014
Agreement on Subsidies and Countervailing Measures			
Article 25.1 to 25.6	Annual report on subsidies	Annual	G/SCM/N/253/NZL, 24/06/2013
Article 25.11	Semi-annual report on countervailing duty actions	Semi-annual	G/SCM/N/203/NZL, 17/03/2010
Article 25.12	Competent authority to initiate countervailing investigations	Ad hoc	G/SCM/N/18/Add.35, 09/04/2013

Agreement	Requirement/content	Periodicity	WTO document and date (latest document if recurrent)
Article 32.6	Laws and regulations	Once, then changes	G/SCM/N/1/NZL/2/Suppl.5, 13/06/2014
Agreement on Technical Barriers to Trade [Article 2.9]			
Articles 10.1 and 10.3	Enquiry points	Once, then changes	G/TBT/ENQ/25, 13/10/2004
Article 10.6	Proposed and adopted technical regulations	Ad hoc	G/TBT/N/NZL/70, 31/07/2014
Annex 3C	Acceptance of code of good practice	Ad hoc	G/TBT/CS/N/86, 10/12/1997
Agreement on Trade-Related Aspects of Intellectual Property Rights			
Article 63.2	Laws and regulations	Once, then changes	IP/N/1/NZL/4,14/07/2004 (and series IP/N/1/NZL/C, D, I, L, P, T)
Article 69	Contact points	Once, then changes	IP/N/3/Rev.2, 22/07/1996
Agreement on Trade-Related Investment Measures			
Article 6.2	Publications	Once, then changes	G/TRIMS/N/2/Rev.6, 16/07/1999

Source: WTO Secretariat.

2.4.2 Regional trade agreements (RTAs)

2.23. New Zealand sees Regional Trade Agreements (RTAs) as a way to complement its participation in the multilateral trading system under the auspices of the WTO. The Ministry of Foreign Affairs and Trade coordinates RTAs trade negotiations, with negotiators drawn from other ministries and agencies, including the Ministry of Business, Innovation and Employment; the Ministry for Primary Industries; Treasury; New Zealand Customs Service; the Ministry for the Environment and the Ministry for Culture and Heritage.

2.24. New Zealand's approach is to negotiate comprehensive agreements covering a range of trade-related issues, including: trade in goods (market access, rules of origin, customs procedures, trade remedies, sanitary and phytosanitary measures, technical barriers to trade); trade in services (market access, movement of natural persons); investment; intellectual property; government procurement; competition and consumer policy; trade and labour; and trade and environment.

2.25. As highlighted in the previous Review, New Zealand maintains RTAs under the following frameworks: (i) Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) (in force since 1983); (ii) New Zealand-Singapore Closer Economic Partnership (in force since 2001); (iii) New Zealand-Thailand Closer Economic Partnership (in force since 2005); (iv) Trans-Pacific Strategic Economic Partnership (P4 or TransPac) (in force since 2005); and (v) New Zealand-China Free Trade Agreement (in force since 2008).

2.26. The South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA), in force since 1980, is a non-reciprocal trade agreement that provides for preferential tariff treatment for the Forum Island Countries (FICs)[3] by New Zealand and Australia. Supplementing SPARTECA, the Pacific Agreement on Closer Economic Relations (PACER), in force since 2002, serves as a framework agreement for future trade liberalization between New Zealand, Australia and the FICs. Negotiations for a RTA amongst New Zealand, Australia and the FICs – termed PACER Plus – were launched in 2009. According to the authorities, New Zealand's overriding interest in these negotiations is to secure an outcome that advances the economic development of the FICs. Negotiation topics include: regional labour mobility; development and economic cooperation; rules of origin; customs procedures; sanitary and phytosanitary measures; technical regulations, standards and conformity assessment procedures; trade in goods; trade in services; and investment.

[3] Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu, and Western Samoa.

2.27. New Zealand is also engaged in the New Zealand-India Free Trade Agreement. RTA negotiations for a NZ-Russia-Belarus-Kazakhstan agreement have been recently suspended.

2.28. During the review period, New Zealand concluded negotiations on two RTAs, which are: the New Zealand-Gulf Cooperation Council Free Trade Agreement; and the New Zealand-Korea Free Trade Agreement. These agreements are not yet in force.

2.29. New Zealand is a participant in the Trans-Pacific Partnership (TPP) negotiations. The TPP aims to create a high quality, comprehensive, 21st century regional trade agreement involving 12 countries in the Asia Pacific region: Australia, Brunei Darussalam, Chile, Japan, Malaysia, Peru, Singapore, the United States, Viet Nam, Mexico, Canada, and New Zealand. The agreement would deepen economic ties between its members by further liberalizing trade in goods and services, investment flows, and promoting further convergence on regulatory issues.

2.30. New Zealand is also currently involved in the Regional Comprehensive Economic Partnership negotiations. The RCEP involves the 10 members of ASEAN (Brunei, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam) and the six countries with which ASEAN has existing Free Trade Agreements (FTAs) – Australia, China, India, Japan, the Rep. of Korea, and New Zealand. RCEP participating countries have a combined GDP of US$21 trillion[4], account for about 27% of global trade (WTO 2013 figures), are markets for 60% of New Zealand's goods exports (in 2013), and include seven of New Zealand's top ten export markets. Formal negotiations began in May 2013. Leaders agreed that the objective for RCEP should be to achieve a modern, comprehensive, high-quality and mutually beneficial economic partnership agreement.

2.4.2.1 RTAs in force since 2009

2.31. During the review period, New Zealand implemented four RTAs, which are: the Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation (ANZTEC) (entered into force in 2013); the New Zealand-Hong Kong, China Closer Economic Partnership (entered into force in 2011); the New Zealand-Malaysia Free Trade Agreement (entered into force in 2010), and the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) (entered into force between 2010 and 2012). These agreements have been notified to the WTO (Table 2.1).

The Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation (ANZTEC)

2.32. The ANZTEC was signed on 10 July 2013 and entered into force on 1 December 2013.

2.33. The ANZTEC provides for liberalization of trade in goods, services and investment between the two markets. It also contains provisions on government procurement, trade and labour, and trade and environment.

2.34. Certain provisions allow for the possibility of co-production between New Zealand and Chinese Taipei in film or television. Film and television co-productions are entitled to all the benefits accorded to domestic productions in the laws and regulations of each economy. Furthermore, the ANZTEC provides for more Flexible Air Transport Services through the "open skies" provision, whereby airline operations from both sides are facilitated.

2.35. The ANZTEC also includes provisions on cooperation on indigenous issues. These provisions seek to enhance cultural and people-to-people contacts, and to expand and facilitate trade and economic relations between the indigenous peoples of Chinese Taipei and New Zealand's Māori.

2.36. Under the agreement, Chinese Taipei is set to liberalize 99.88% of its tariff lines (excluding rice), while New Zealand will liberalize 100% over 12 years.

[4] Online information. Viewed at: http://www.mfat.govt.nz/Trade-and-Economic-Relations/2-Trade-Relationships-and-Agreements/RCEP/.

The New Zealand-Malaysia Free Trade Agreement

2.37. The New Zealand-Malaysia Free Trade Agreement was signed in Kuala Lumpur on 26 October 2009 and entered into force on 1 August 2010.

2.38. Malaysia is New Zealand's eighth largest export destination, accounting for almost NZ$1 billion of exports in 2013.

2.39. The agreement contains measures to improve business in various economic areas of mutual interest and is supported by agreements on trade and the environment and trade and labour matters. It liberalizes and facilitates trade in goods, services and investment between New Zealand and Malaysia, and goes beyond the commitments made in the ASEAN-Australia-New Zealand Free Trade Agreement (AANZFTA) signed in February 2009.

2.40. Upon entry into force of the agreement, New Zealand provided duty-free access for 90.8% of tariff lines on imports from Malaysia, of which 72.1% were already duty-free on a unilateral basis. New Zealand shall liberalize all imports from Malaysia by 2016, whereas the latter shall provide duty-free access for 99.5% of New Zealand's exports by the same date.

The New Zealand-Hong Kong, China Closer Economic Partnership Agreement

2.41. The New Zealand-Hong Kong, China Closer Economic Partnership Agreement was signed in Hong Kong on 29 March 2010 and entered into force on 1 January 2011.

2.42. In 2013, Hong Kong, China was New Zealand's 11th largest export destination. Overall, the value of New Zealand's total trade (goods and services) with Hong Kong, China in 2013 was NZ$1.5 billion.

2.43. New Zealand considers this RTA as an important way to boost trade with Hong Kong, China and take further advantage of growing opportunities in the region. The deal is also seen as a complement to New Zealand's Free Trade Agreement (FTA) with China. It contains measures to improve business flows and promote cooperation in a broad range of economic areas of mutual interest, and is supported by legally-binding side agreements on labour and environment that are in line with New Zealand's broader objectives for sustainable development. A legally-binding side agreement was also secured to negotiate an Investment Protocol within two years of entry into force. Negotiations began in early May 2011 but have not yet been concluded.

2.44. Commitments under the agreement with Hong Kong, China cover the following trade and trade-related topics: goods, services, government procurement, movement of business people, rules of origin, customs cooperation, trade remedies, sanitary and phytosanitary measures, technical barriers to trade, intellectual property, competition, electronic commerce, dispute settlement, and general exceptions.

2.45. The tariff reductions offered by New Zealand under this agreement are the same as those in the New Zealand-China FTA. Hong Kong, China benefited from tariff elimination on 54% of tariff lines for its exports upon entry into force (53.1% of tariff lines were already duty free). The remaining 46% of Hong Kong, China's exports covered by tariff duties will progressively become duty free by 2016. Hong Kong, China will maintain duty-free access to all imports into its territory on a permanent basis.

The Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)

2.46. The Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) was signed by the Trade Ministers of New Zealand, Australia and ASEAN (Association of Southeast Asian Nations) on 27 February 2009 at the ASEAN Summit in Hua Hin (Thailand). It entered into force on 1 January 2010 for (and between) the following countries: Australia, Brunei, Myanmar, Malaysia, New Zealand, Singapore, the Philippines, and Viet Nam. The agreement entered into force for Thailand on 12 March 2010, for Lao PDR and Cambodia on 1 and 4 January 2011 respectively, and for Indonesia on 10 January 2012.

2.47. The agreement provides for liberalization and facilitation of trade in goods, services and investment between New Zealand, Australia and the ASEAN economies. It also contains measures relating to customs procedures and cooperation, sanitary and phytosanitary measures, standards, technical regulations and conformity assessment procedures, electronic commerce, intellectual property and competition policy.

2.48. Under the AANZFTA, 99% of tariff lines on exports from New Zealand will benefit from a progressive elimination of tariffs by 2020, whereas all tariffs on ASEAN exports will be eliminated during the same period. A key feature of AANZFTA's rules of origin is that they allow for cumulation between signatories.

2.4.2.2 Other agreements and arrangements

The Asia-Pacific Economic Cooperation

2.49. New Zealand continues to attach importance to the Asia-Pacific Economic Cooperation (APEC). The APEC region accounted for 73.6% of New Zealand's exports, 72.3% of New Zealand's total imports and 83% of foreign direct investment into New Zealand in 2013.[5] New Zealand's priorities in APEC are to promote: support for the multilateral trading system; regional economic integration including work towards realization of the Free Trade Area of the Asia Pacific (FTAAP); increased supply chain connectivity; lower transaction costs at the border including through improved customs and standards procedures; structural reform including a focus on good regulatory practice and cooperation; and trade related measures to improve food security. Progress in these areas should continue to make it easier for New Zealand businesses to operate throughout the APEC region.

2.50. According to the authorities, New Zealand remains committed to attainment of the Bogor Goals of free and open trade and investment in the Asia Pacific Region. In 2010, New Zealand, along with four other industrialized economies and eight volunteering developing economies, underwent a detailed assessment of progress towards the Bogor Goals.[6] Based on the analyses of these efforts and achievements made by these 13 economies, and taking into account the various developments of global circumstances, APEC Leaders concluded that while more work remains to be done, significant progress has been made toward achieving the Bogor Goals at their meeting in Yokohama, Japan in 2010. Since then, two further progress reports have taken place in 2012 and 2014.[7]

2.51. At the end of 2012, APEC economies agreed to reduce tariffs on a list of 54 environmental goods to 5% or less by the end of 2015. The initiative built on a decade of work to open the sector within APEC and the World Trade Organization. New Zealand has fully implemented the outcome.

Unilateral trade preferences

2.52. A long-standing tariff preference is in place for certain goods from Canada and a few motor vehicle parts from Great Britain. The scheme has not changed during the review period.

2.53. Under the Generalized System of Preferences (GSP), New Zealand grants preferential treatment to less developed countries (or developing countries) with per capita incomes less than 70% of that in New Zealand, and least developed countries (LDCs). 91 less developed countries and 50 least developed countries are beneficiaries of New Zealand's GSP scheme. New Zealand’s GSP has not been reviewed since its last Trade Policy Review.

2.54. All goods of LDC origin qualify for duty-free, quota-free entry into New Zealand since 1 July 2001.

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[5] APEC online information. Viewed at: http://statistics.apec.org.

[6] APEC online information. Viewed at: http://www.apec.org/About-Us/About-APEC/Achievements-and-Benefits/2010-Bogor-Goals.aspx.

[7] APEC online information. Viewed at: http://www.apec.org/About-Us/About-APEC/Achievements-and-Benefits/2012-Bogor-Goals.aspx and http://www.apec.org/About-Us/About-APEC/Achievements-and-Benefits/2014-Bogor-Goals.aspx.

2.5 Foreign Investment Regime

2.55. Foreign Direct Investment (FDI) is generally seen by New Zealand as a means to help bridge the domestic investment-savings gap and promote connectivity to global markets.

2.56. The Overseas Investment Act 2005, the Overseas Investment Regulations 2005, and Sections 56 to 58B of the Fisheries Act 1996 regulate foreign investment in New Zealand. Under the legislation, an overseas person is an individual who is neither a New Zealand citizen nor ordinarily resident in New Zealand, and includes a company that is incorporated outside New Zealand and any entity that is 25% or more owned or controlled by an overseas person or persons. "Overseas person" also includes other incorporated or unincorporated bodies, such as partnerships or joint ventures, and trusts, as well as associated of overseas investors.

2.57. The Overseas Investment Office (OIO) administers the legislation. It reviews applications by overseas persons seeking to invest in New Zealand certain asset types, and advises the relevant Minister or Ministers on how the application should be decided.[8] Some of the powers and functions of the relevant Minister or Ministers (including the power to make consent decisions) have been delegated to the OIO.

2.58. The legislation prescribes the circumstances where an overseas person is required to obtain consent before investing in New Zealand, i.e. acquisitions by overseas persons of sensitive land or an interest in sensitive land[9]; 25% or more ownership or control interest in fishing quota; and any foreign investment that would result in the acquisition of 25% or more ownership or control interest in "significant business assets" (i.e. assets valued at more than NZ$100 million). In its mode 3 horizontal commitments under the GATS, New Zealand is bound to a screening threshold of NZ$10 million.

2.59. For all investments, the relevant Minister or Ministers (or their delegate) must be satisfied that overseas investors, *inter alia*, have business experience and acumen relevant to the investment, are of "good character" and have demonstrated financial commitment to the investment. In addition, where the investment involves sensitive land, the relevant Ministers (or their delegate) must be satisfied that the investment will or is likely to benefit New Zealand. In relation to investments in fishing quota, the relevant Ministers must be satisfied that the investment will or is likely to be in the national interest (section 4.2.6). Box 2.1 lists the different criteria considered in assessing investment applications.

Box 2.1 Overseas investment: criteria considered by the relevant Minister or Ministers (or their delegate)

Criteria for overseas investment in significant business assets

When considering a non-sensitive land application, the relevant Minister (or his or her delegate) will grant consent if he or she is satisfied that the overseas person involved or (if that person is not an individual) all the individuals with control of the relevant overseas person:

- collectively have business experience and acumen relevant to the investment;
- have demonstrated financial commitment to the investment;
- are of "good character"; and
- are not individuals of the kind listed in Sections 15 and 16 of the Immigration Act 2009, for example, a person who has been convicted of an offence for which that person has been sentenced to imprisonment for a term of five years or more.

Criteria for investment in sensitive land

When considering an application for an overseas investment in sensitive land (either a direct interest or securities giving an indirect interest in sensitive land), in addition to the criteria used for overseas investment in significant business assets, the relevant Minister or Ministers (or their delegate) must be satisfied that either:

- the overseas person is, or (if that person is not an individual) all the individuals with control over the

[8] In the case of a significant business asset decision (not including sensitive land), the relevant Minister is the Minister of Finance. In the case of a fishing quota decision, the relevant Ministers are the Minister of Finance and the Minister for Primary Industries, and in the case of a sensitive land decision, the relevant Ministers are the Minister of Finance and the Minister for Land Information.

[9] Sensitive land is defined in Schedule 1 of the Overseas Investment Act 2005 and includes non-urban land over 5 hectares, certain specified islands, foreshore or seabed, and land over 0.4 hectares that includes or adjoins reserves or historic areas.

overseas person are, New Zealand citizens, ordinarily resident in New Zealand or intending to reside in New Zealand indefinitely; or

- the overseas investment will, or is likely to, benefit New Zealand (or any part of it or group of New Zealanders) (as discussed below) and, if the relevant land includes non-urban land that in area (either alone or together with any associated land) exceeds five hectares, that the benefit will be, or is likely to be, substantial and identifiable.

"Benefit to New Zealand" is assessed having regard to 21 factors that are listed in Section 17 of the Overseas Investment Act 2005 and regulation 28 of the Overseas Investment Regulations 2005.

Factors relating to foreshore / seabed / riverbed / lakebed (Special land)

Where the relevant land that is the subject of the overseas investment is or includes foreshore, seabed, river bed or a lake bed, it is deemed to be "special land" under the Overseas Investment Regulations 2005 (being a subset of sensitive land) and the land must first be offered by the current owner back to the Crown in accordance with the procedures set out in the Overseas Investment Regulations. If the Crown accepts the offer, it can only acquire the part of the sensitive land that constitutes "special land". The Minister of Finance's Ministerial Directive Letter dated 8 December 2010, which is issued under Section 34 of the Overseas Investment Act 2005, states that the Government's general policy approach to the acquisition of special land is that the special land should only be acquired if it is in the public interest for the Crown to own the special land. In determining whether it is in the public interest for the Crown to acquire special land, any recognized attitude of New Zealanders (or a group of New Zealanders) towards the special land is one of the relevant matters to be considered.

Criteria for farm land

In addition to the criteria used for an overseas investment in significant business assets and an overseas investment in sensitive land, any overseas investment that involves farm land must meet an additional requirement – the farm land or farm land securities must be advertised on the open market in accordance with the rules set out in the Overseas Investment Regulations 2005, unless a standing advertising exemption applies, or an specific exemption from the farm land advertising requirements is sought and is granted.

Criteria for overseas investment in fishing quota

In addition to the criteria used for an overseas investment in significant business assets, the following criteria for an overseas investment in fishing quota must be considered:

- whether the relevant overseas person is a body corporate;
- whether the interest in the fishing quota is capable of being registered in the Quota Register or the annual Catch Entitlement Register; and
- whether the granting of consent is in the "national interest" (as discussed below).

National interest

In assessing whether or not an overseas investment in fishing quota is in the national interest, consideration must be given to some of the Section 17 "Benefit to New Zealand" factors listed under the heading "Criteria for investment in sensitive land" above, and also the following factors:

- the introduction into New Zealand of additional investment for purposes of significant development, or whether the overseas investment will, or is likely to, result in increased processing of New Zealand fish, aquatic life or seaweed; or
- any other factors that are set out in regulations under the Overseas Investment Act 2005 or that the relevant Ministers, having regard to the circumstances and nature of the application, think fit.

Source: Overseas Investment Act, 2005; and information provided by the authorities.

2.60. In the five years to June 2013, 755 investment applications were screened by the OIO, of which 655 were approved, 47 withdrawn, 33 lapsed, and ten declined. All the ten declined applications involved sensitive land cases. No applications regarding significant business assets alone were declined. During the same period, the OIO also undertook 2,196 monitoring exercises to assess post-transaction compliance with conditions; 2,096 were found to be complying, 78 did not require complete monitoring, 17 did not comply, and five partially complied. The OIO publishes average assessment times over a 12 month period on its website. This information is updated at the end of each month.[10]

2.61. Following a review in 2009/2010, the Government decided to not to change the Overseas Investment Act 2005. However, it agreed to make several changes to the Overseas Investment Regulations 2005. Two additional factors were added (effective December 2010) – a new "economic interests" factor allowing consideration of whether New Zealand's economic interests are adequately safeguarded and promoted by the overseas investment, and a "mitigating" factor, allowing consideration of whether an overseas investment provides opportunities for New Zealand

[10] Online information. Viewed at: http://www.linz.govt.nz/regulatory/overseas-investment/making-application/application-assessment-timeframes.

oversight and involvement. In addition, a new ministerial directive letter was published in December 2010, which provides more clarity about the Government's policy on overseas investment, and in particular what factors in the benefit test are likely to be more or less important in assessing particular types of investments. These changes, along with some others made in 2009 to simplify the overseas investment rules and speed up application processing times, were considered to strike the right balance.

2.62. There are also specific limitations on foreign investment in the air transport and telecommunications sectors (section 4). As regards Air New Zealand Limited, no person who is not a New Zealand national may hold an interest in equity securities which confer 10% or more of the voting rights without the prior written consent of the Crown. In addition, the majority of Air New Zealand's board of directors must be New Zealand citizens. In the case of Chorus Limited, no person who is not a New Zealand national shall have a relevant interest in more than 49.9% of the total voting shares of the company, without the prior written approval of the Crown, and at least half of the board of directors must be New Zealand citizens (section 4).

2.63. New Zealand's involvement in international investment agreements, and especially with regard to Bilateral Investment Treaties (BITs), seems relatively modest (Table 2.2). New Zealand's approach has been to conclude investment chapters as part of comprehensive RTAs. To that end, most RTAs involving New Zealand have significant investment components (Table 2.3). The Investment Protocol to the New Zealand-Australia Closer Economic Relations Trade Agreement was signed on 16 February 2011 and entered into force on 1 March 2013. Under the Protocol, investors in both countries benefit from lower compliance costs, higher screening thresholds (New Zealand's significant business asset thresholds are NZ$496 million for an Australian non-government investor and NZ$104 million for an Australian government investor, as from 1 January 2015) and greater legal certainty.[11]

Table 2.2 Overview of New Zealand's BITs, 2014

Partners	Status	Date of signature	Date of entry into force
Argentina	Signed	27/08/1999	Not in force
Chile	Signed	22/07/1999	Not in force
China	In force	22/11/1988	25/03/1989
Hong Kong, China	In force	06/07/1995	05/08/1995

Source: Online information. Viewed at: http://investmentpolicyhub.unctad.org/IIA/CountryOtherIias/150#iiaInnerMenu.

Table 2.3 Overview of New Zealand's RTAs with investment components, 2014

Short title	Status	Date of signature	Date of entry into force
ANZTEC	In force	10/07/2013	01/12/2013
Australia-New Zealand Closer Economic Relations Investment Protocol	In force	16/02/2011	01/03/2013
Malaysia-New Zealand FTA	In force	26/10/2009	01/08/2010
AANZFTA	In force	27/02/2009	10/01/2012 (Australia, Brunei, Myanmar, Malaysia, New Zealand, Singapore, the Philippines, and Viet Nam) 12/03/2010 (Thailand) 01/01/2011 (Lao PDR) 04/01/2011 (Cambodia) 10/01/2012 (Indonesia)
China-New Zealand FTA	In force	07/04/2008	01/10/2008

[11] DFAT online information. Viewed at: http://www.dfat.gov.au/fta/anzcerta/.

Short title	Status	Date of signature	Date of entry into force
New Zealand-Thailand CEP	In force	19/04/2005	01/07/2005
New Zealand-Singapore CEP	In force	14/11/2000	01/01/2001
New Zealand-Korea FTA	Concluded	Not yet signed	

Source: Online information. Viewed at: http://investmentpolicyhub.unctad.org/IIA/CountryOtherIias/150#iiaInnerMenu.

2.64. New Zealand has double taxation agreements (DTAs) currently in force with 39 of its main economic partners, four DTAs or protocols that are signed but not yet in force with three countries, and it is currently negotiating DTAs or protocols with ten others.[12] In general, DTAs are subject to a prior assessment by the Parliament; whereby a Select Committee considers a national interest analysis. The national interest analysis is published as part of the Committee's report back to the Parliament, and on each country's tax treaty web page.

[12] The list of countries participating in DTAs with New Zealand, including the texts of the DTAs, is available at: http://taxpolicy.ird.govt.nz/tax-treaties.

3 TRADE POLICIES AND PRACTICES BY MEASURE

3.1 Overview

3.1. New Zealand maintains an open trade policy regime. The country is engaged in an ambitious trade facilitation initiative geared towards implementing a "Joint Border Management System (JBMS)". As of February 2015, the initiative was at an advanced stage: a Trade Single Window (TSW) and a revised import electronic declaration form had been made available.

3.2. The simple average applied MFN tariff rate is 2.4% and over half of tariff lines are duty free, reflecting a relative low level of tariff protection. Regular reviews are undertaken by the Government to ensure predictability of applied customs duties.

3.3. During the review period, New Zealand continued to modernize its trade and related legislation, either through amendments or comprehensive overhaul. The anti-dumping and countervailing law underwent significant amendments, including the introduction of a new provision to allow importers to apply for refund of anti-dumping duties paid in excess of the margin of dumping. In addition, as a support measure for rebuilding activities after the Canterbury earthquakes, anti-dumping measures were suspended on residential building materials. The safeguard regime was modernized with the adoption of a new Act. The Trade (Safeguard Measures) Act 2014 allows for, *inter alia*, a timely imposition of safeguard actions, and the inclusion of "public interest" consideration when imposing a safeguard measure. Four anti-dumping investigations were initiated during the review period, of which two resulted in final measures being taken; no countervailing or safeguard measures were imposed.

3.4. Technical regulations and SPS-related measures are adopted following related WTO provisions. When standards are developed, existing international standards are considered and stakeholder consultation is included in the process. Some WTO Members have raised concerns regarding New Zealand's 2012 proposal to introduce plain packaging of tobacco products, while some other Members supported the proposal. In 2014, the Smoke-free Environments (Tobacco Plain Packaging) Amendment Bill passed its first reading in the New Zealand Parliament and is currently awaiting a second reading. Mutual Recognition Agreements (MRAs) are in place between New Zealand and some of its main trading partners. The most comprehensive is the Trans-Tasman Mutual Recognition Arrangement with the federal government and state and the territory governments of Australia.

3.5. New Zealand maintains several business assistance and export promotion programmes. The main export promotion agency, New Zealand Trade and Enterprise (NZTE), provides, *inter alia*, strategic advice, research and market intelligence for new exporters, as well as support for already established export companies. Export credit insurance is also available for exporting firms. Incentive schemes are in place mainly to encourage innovation and capacity building.

3.6. New Zealand has a sound legal and institutional framework for competition. The Commerce Commission is responsible for enforcing the generic provisions (anti-competitive practices and mergers) of the Commerce Act, as well as the competition components of industry-specific laws. The Commission is also engaged in international cooperation with overseas competition authorities. New Zealand's competition regime is considered as performing well in international comparisons. However, recent independent studies have found that the country's small market and remoteness have resulted in relatively low levels of competition in some services industries (e.g. retail, finance, real estate and professional services). This may have contributed to relatively low productivity levels and high costs in some of these sectors. Amendments to the competition law, including criminal sanctions for hard-core cartels and the application of the Commerce Act to the international freight transport sector, are currently before Parliament.

3.7. The Zespri Group, a company with special authority for export of kiwifruit, is the only state-trading enterprise currently in operation in New Zealand. However, the Government maintains equity shares in several enterprises in various key economic sectors such as energy and transport. According to the authorities, the level of government participation in such enterprises has been falling in recent years.

3.8. New Zealand's spending on government procurement accounted for some 20% of GDP in 2012. The government procurement regime seeks to support open competitive procurement practices. As such, no preferential treatment exists for domestic companies. The terms of New Zealand's accession to the revised WTO Agreement on Government Procurement (GPA) were agreed on 29 October 2014. A Parliamentary treaty examination process is under way to ratify New Zealand's accession.

3.9. New Zealand continues to enforce intellectual property rights with a view to ensuring a balance between the interests of rights owners and the society as a whole. Several legislative changes occurred during the review period. A new patent Act entered into force in 2013 to allow, *inter alia*, stricter examination of applications, and excluding "computer software as such" from patentability. The Copyright Act was amended to facilitate enforcement action against infringing sharing file. In addition, the Trade Marks Act was amended several times to accommodate international standards. Protection for geographical indications continues to be provided through the Fair Trading Act 1986. The Geographical Indications (Wine and Spirits) Registration Act 2006, which establishes a registration system for wines and spirits geographical indications is yet to be brought into force.

3.2 Measures Directly Affecting Imports

3.2.1 Registration, customs procedures and requirements

3.10. There are no specific requirements to become an importer in New Zealand. However, depending on the nature of goods, prior to importation, consents may be required from various government agencies such as the New Zealand Customs Service (NZCS), the Ministry for Primary Industries (MPI), the New Zealand Transport Agency, and the Ministry of Health. Food importers must register with the MPI. New Zealand has notified to the WTO a list of products for which an import licence is required, and the government agencies in charge of their issuance.[1]

3.11. As indicated in New Zealand's previous Review, import procedures, including customs valuation regulations and appeal mechanisms against NZCS' decisions are regulated through the Customs and Excise Act 1996, and the Customs and Excise Regulations 1996.

3.12. The NZCS is responsible for customs procedures, security of the national border, as well as collection and administration of all duties and taxes collected at the border. It requires that customs procedures be undertaken electronically for consignments valued at NZ$1,000 or more (import entry) for which full details of the goods to be imported, including the classification of the goods under "The Working Tariff Document of New Zealand", is required. Import entry clearance must be lodged no later than 20 days of the arrival of goods in New Zealand. In practice, most entries are lodged in advance of arrival. Some goods are exempt from import entry requirements, including postal articles when no duty is payable. Goods valued at less than NZ$1,000 can be entered using a simplified entry procedure or can be cleared for entry based on electronic cargo information, which can include multiple consignments on a manifest. Duty is waived when the amount of duty payable is less than NZ$60.

3.13. During the review period, the NZCS and the MPI embarked in the development of a Joint Border Management System (JBMS) with a view to further streamlining customs procedures for goods passing in and out of New Zealand.[2] This modernization has been enshrined into law through the 2014 amendments to customs legislation. The implementation of the JBMS includes a Trade Single Window (TSW), which is set to allow international trade stakeholders to send all shipment details electronically to one place, rather than separately to several government agencies. The revised electronic declaration form under the TSW is based on version 3 of the World Customs Organization's trade data model. The TSW and the revised electronic declaration form for imports went live in August 2013. The remaining development, planned for completion in December 2015, includes new electronic forms for cargo reporting and transhipments, and an enhanced risk management system.

3.14. Electronic declaration of commercial imports is mandatory. Customs procedures can be done either by the importer or on his behalf by a customs broker. According to the authorities, 95% of

[1] WTO document G/MA/QR/N/NZL/2, 7 October 2014.
[2] The MPI's responsibilities cover, *inter alia*, agriculture, livestock, forestry, and food safety.

imports are declared by agents acting on behalf of importers, via Electronic Data Interchange (EDI) using either a commercial freight forwarder software product, or their own company software. EDI users can connect to the TSW themselves; they must meet technical security requirements and have their own technical support. As an alternative to EDI, importers and their agents can use TSW Online (www.tsw.govt.nz). As this involves entering data manually into screens on the website, it is more suitable for agents and importers with low declaration volumes. In order for imports to be cleared:

- An importer must have a TSW client code;

- The agent or importer submitting the declaration via EDI or TSW Online must have a trade single window declarant code and a unique user identifier.

3.15. The implementation of the TSW is at a transitional phase, and it is being used concomitantly with the existing separate systems. For agents and importers whose software has been upgraded to the new electronic declaration form, or who use TSW Online, declaration and clearance of imports for both NZ Customs and MPI is now managed in the JBMS, operated by NZ Customs.

3.16. The new electronic declaration form will be mandatory in 2016. Until then, the old version of the electronic customs declaration will be accepted. In this case, information about plants, animals, and food products required by the MPI to manage biosecurity and food safety risks and requirements (permits and certificates) is sent separately by importers or their agents to MPI's Quantum and FoodNet systems. Simplified customs procedures are available for importers of goods valued at less than NZ$1,000.

3.17. New Zealand's risk management system is based on a standardized methodology, jointly developed with Australia for identifying and assessing risk. This generic guide for establishing and implementing risk management is reinforced by other trade facilitation measures such as:

- Electronic clearance of customs declarations prior to the physical arrival of the goods, which has enabled NZCS to decouple border control from physical movement across the border, and enable risk assessment in advance of arrival;

- Access to advance rulings and review and appeal mechanisms;

- Deferred payment schemes, separation between payment of duty or tax and physical clearance of the goods;

- Penalties and sanctions for non-compliance, and support for voluntary disclosure; and

- Post clearance audit mechanisms.

3.18. As a result, less than 5% of import transactions are subject to further compliance checks or inspection, and 99% of compliant transactions are processed by Customs within 30 minutes of completion of an import declaration.[3] NZCS does not maintain an Authorized Economic Operator (AEO) system, as the authorities seek to give simplified process to all importers.

3.19. New Zealand does not maintain any preshipment inspection regime.

3.20. In 1995, New Zealand notified its legislation on customs valuation to the WTO. As indicated during the previous Review, it is based on the WTO Agreement on Customs Valuation.[4] Aggrieved importers or any other authorized person may appeal to the Customs Appeal Authority (CAA), an independent judicial body administered by the Ministry of Justice. In general, the Notice of Appeal must be filed within 20 working days from notification of a decision, and a fee of NZ$410 is applicable. With respect to goods that have been seized as forfeit, the Customs and Excise Act 1996 allows an aggrieved person to appeal to the Chief Executive of Customs in the first instance, with a right of appeal to the CAA if not satisfied with the Chief Executive's decision. If dissatisfied

[3] Investment Climate in Practice online information. Viewed at: https://www.wbginvestmentclimate.org/uploads/Inpractice%20Trade%20NewZealandnote12.pdf.

[4] WTO document WT/TPR/S/216/Rev.1, 10 July 2009.

with the decision of the CAA, a person may appeal to the High Court. During the review period, of the 69 customs appeals (Table 3.1), only eight were taken to the High Court.

Table 3.1 Customs Appeal Authority Statistics, 2009-14

	2009	2010	2011	2012	2013	2014
Number of appeals	10	20	12	12	9	6
Appeals heard	1	11	7	9	6	4
Appeals withdrawn	9	9	5	3	3	2

Note: Withdrawn covers appeals that were withdrawn, struck out, or were invalid.

Source: WTO Secretariat, based on data provided by the authorities.

3.2.2 Rules of origin

3.21. New Zealand applies MFN tariff rates to all goods that do not otherwise qualify for preferences under the rules of origin established under a preferential arrangement. Determinations of origin for non–preferential purposes can be made under Section 65 of the Customs and Excise Act 1996. In general terms, this would include an assessment as to where the last substantial transformation had been carried out.

3.22. New Zealand's preferential rules of origin and other relevant requirements in respect of the Generalised System of Preferences (GSP) are set out in part 6 of the Customs and Excise Regulations 1996, as well as in New Zealand legislation by reference (Table A3.1).[5]

3.23. Various origin categories apply in determining whether particular goods qualify as the produce or manufacture of a particular preferential country or countries group.

3.24. In the case of "Goods wholly obtained or produced in the preferential country", goods are basically natural resource-based obtained in the preferential country, and final products made from them without incorporating any other material (e.g. plants, animals, substances extracted from the country's soil or sea bed). This origin category is common to all of New Zealand's trade agreements.

3.25. Goods produced in a preferential country (or in the territory of one or more countries in the case of a regional trade agreement) entirely from materials that would themselves qualify as originating goods may be conferred origin for preferential treatment purposes. For the GSP, ANZSCEP, and for goods imported from Canada, the UK and Forum Island Countries (New Zealand's older agreements), the criteria is a specified value content threshold. For NZTCEPA, there is a schedule (Annex 2 of the agreement) that allows for a specified change in tariff classification to confer origin.

3.26. Origin may also be conferred to goods partly manufactured in a preferential country, when two or more countries have taken part in the manufacture. This origin category uses a value-added approach whereby the value of specified types of production costs incurred in the preferential country must be a certain minimum percentage of the factory cost of the goods (this percentage is generally 50%). In addition, the last process in the manufacture of the goods must be performed in the preference receiving country.

3.27. Separate rules may be specified for each tariff line (chapter, heading, or subheading within the Harmonized System nomenclature) to allow goods containing non-originating materials to qualify for preferential treatment. In general, product-specific rules are based on three different approaches:

- Change of tariff classification (CTC) whereby a good produced in a preferential country qualifies as an originating good if the final good has a different HS classification from the HS classification of any non-originating materials used in the production.

[5] NZCS online information. Viewed at: http://www.customs.govt.nz/news/resources/factsheets/Documents/Fact%20Sheet%2008.pdf.

- Regional value content (RVC) whereby a good gains the benefit of the preferential tariff treatment if the value added in the preferential country or in the country group to which it belongs amounts to a certain level.

- A specified process rule whereby a good will qualify as an originating good if it has undergone a particular operation (such as finishing process) in the preferential country.

3.28. In most cases, for goods to qualify for preferential tariff treatment in New Zealand, they must be transported to New Zealand from the preferential country or country group without entering the commerce of another country. This requirement allows simple transit through a third-party country (under customs' control) provided the goods do not undergo further processing whilst in transit.

3.2.3 Tariffs

3.29. New Zealand's Tariff implementation rules and procedures are contained in a consolidation of two legislative pieces, namely the Tariff Act 1988 and the Customs and Excise Act 1996 as amended. The Tariff of New Zealand is divided into two parts. Part I relates to the Standard Tariff and it sets out the classification of all international trade and import duty rates. Part II relates to concessions; it outlines the concession categories to reduce or waive a duty that would usually be applied under Part I.

3.2.3.1 Applied MFN tariff structure

3.30. In October 2013, the Government decided to hold tariffs at current levels until at least 30 June 2017, except where they are being reduced through trade agreements. This decision followed the Government's commitment in 2009 to make no changes in tariff levels until June 2015 at the earliest. The next review of tariff levels will take place in 2016 to consider whether there is any need to change overall tariff levels after 2017.

3.31. In October 2011, the Tariff (Harmonised System) Amendment Order 2011 aligned New Zealand's tariff nomenclature on the 2012 version of Harmonised Commodity and Coding System (HS2012) effective 1 January 2012. The 2014 applied MFN tariff contains 7,510 lines at the HS eight-digit level, of which 99.9% carry *ad valorem* duties. Tariffs are applied on the Value for Duty (VFD) of imports.

3.32. Six tariff lines bear specific rates (four on alcoholic beverages and two on clothing and footwear). With respect to tariff lines for which international transactions exist, average *ad valorem* equivalents (AVEs) for the period 2011-13 were estimated at 1.63% and 1.34% (for the alcoholic beverages lines), 36.01% and 37.32% (for clothing and footwear lines).

3.33. New Zealand does not maintain tariff quotas.[6] 58.3% of tariff lines are duty free (Table 3.2 and Chart 3.1).

Table 3.2 New Zealand's MFN tariff structure, 2008 and 2014

(%, unless otherwise indicated)

	MFN applied rate			Final bound[b]
	2008[a]	2014		
Bound tariff lines (% of all tariff lines)	..	100.0[c]		100.0[c]
Simple average rate	2.5	2.4		11.2
WTO agricultural products	1.8	1.7		7.4
WTO non-agricultural products	2.6	2.5		11.8
Duty-free tariff lines (% of all tariff lines)	57.7	58.3		40.8
Simple average rate of dutiable lines only	6.0	5.7		19.0
Tariff quotas (% of all tariff lines)	0.0	0.0		0.0
Non-*ad valorem* tariffs (% of all tariff lines)	0.1	0.1		3.1
Domestic tariff "peaks" (% of all tariff lines)[d]	5.6	5.6		5.5
International tariff "peaks" (% of all tariff lines)[e]	0.03	0.03		35.5

[6] WTO document G/AG/N/NZL/84, 19 May 2014.

	MFN applied rate			Final bound[b]
	2008[a]	2014		
Overall standard deviation of tariff rates	3.4	3.1		12.1
Coefficient of variation of tariff rates	1.3	1.3		1.1
Nuisance applied rates (% of all tariff lines)[f]	0.1	0.03		0.1
Total number of tariff lines	7,288	7,510		7,508
Ad valorem rates	3,045	3,091		4,212
Duty free	4,205	4,381		3,066
Specific rates	6	6		10
Alternate rates	0	0		188
Other[g]	32	32		32

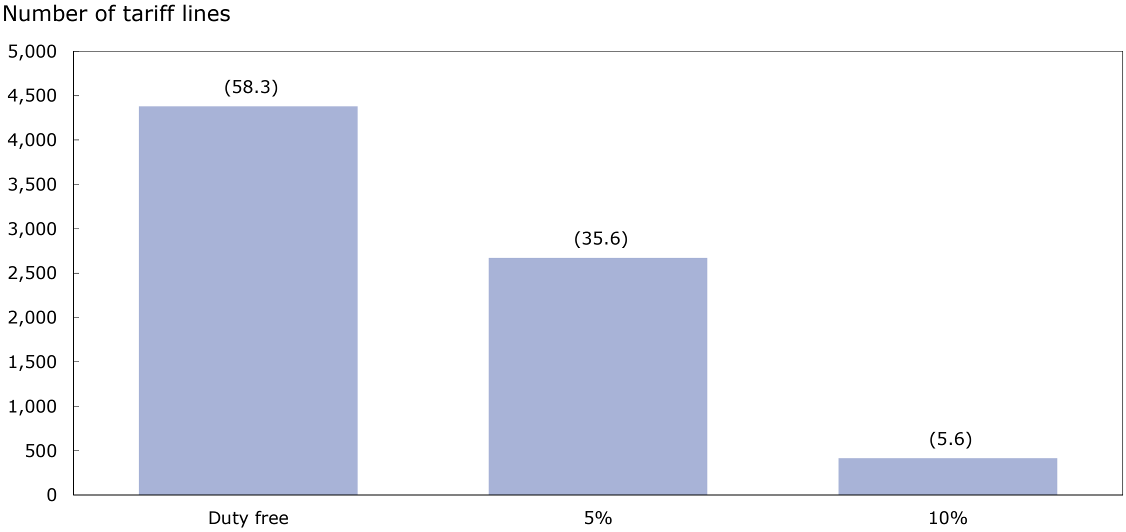
.. Not available.

a October 2008 to June 2009.
b Final bound rates are based on the 2014 tariff schedule in HS2012 nomenclature. The transposition to HS2012 is based on WTO calculations.
c In 2014, only 2 tariff lines are fully unbound (worn clothing). 24 tariff lines are only partially bound (used transport vehicles). Partially bound rates are included in the tariff calculations.
d Domestic tariff peaks are defined as those exceeding three times the overall average applied rate.
e International tariff peaks are defined as those exceeding 15%.
f Nuisance rates are those greater than zero, but less than or equal to 2%.
g "Other" rates apply to parts and components, for which the tariffs varies subject to the rate applying to the machinery, appliance or equipment for which they have been designed.

Note: 2008 tariff is based on HS07 nomenclature, 2014 tariff is based on HS12. Calculations for averages are based on national tariff line level (8-digit). Including AVEs for specific rates, provided by the authorities.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Chart 3.1 Distribution of MFN applied tariff rates, 2014



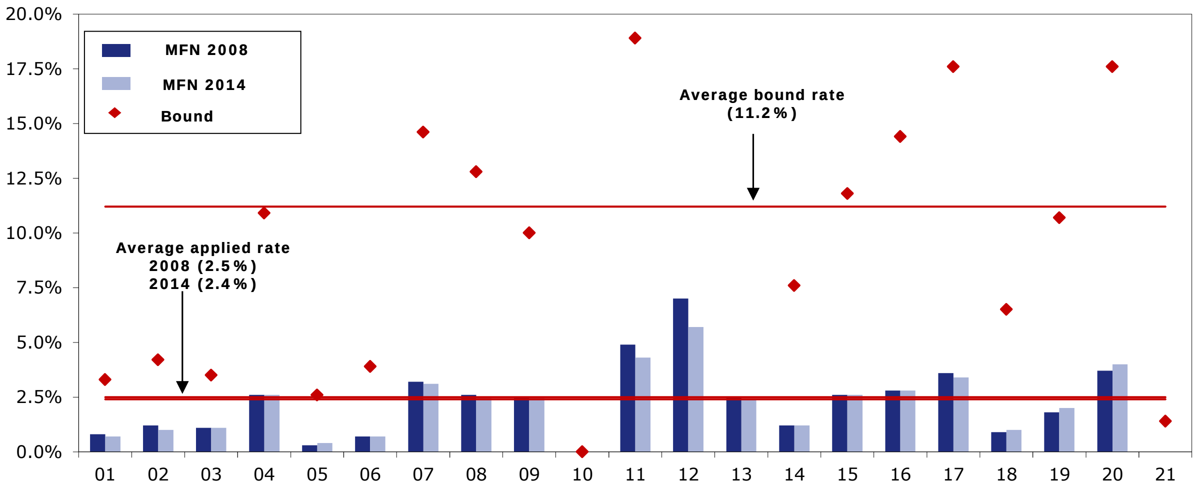
Note: Figures in parentheses denote the share of total lines. Figures do not add up to 100% due to the exclusion of 6 specific tariff lines and 32 "other" tariff lines (Table 3.2).

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.34. Applied MFN tariffs remain relatively low in New Zealand, with a simple average of 2.4% in 2014 (2.5% in 2008). The slight decrease is due to a reduction of some tariffs in 2009 and the conversion to HS2012. Footwear and textiles are the most protected industries (Chart 3.2).

3.35. In aggregate, New Zealand's tariff shows a positive escalation (Chart 3.3). Further disaggregation at ISIC two-digit level shows positive escalation in chemicals; wood and furniture; and food, beverages and tobacco industries. Textiles and leather industries show mixed escalation.

Chart 3.2 Average applied MFN and bound tariff rates, by HS Section, 2008 and 2014

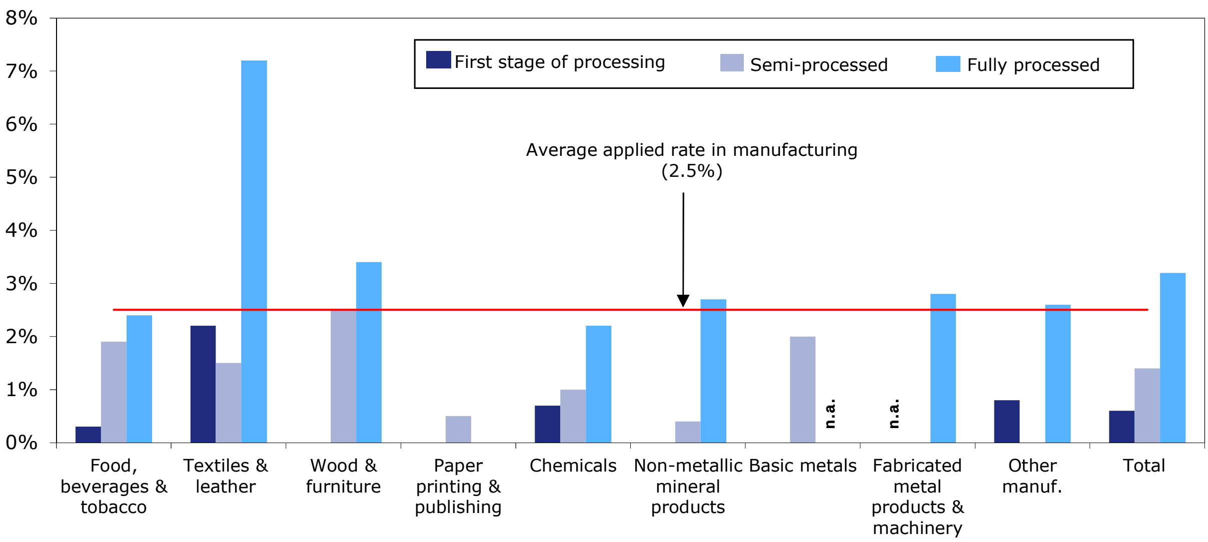


01 Live animals & products
02 Vegetable products
03 Fats & oils
04 Prepared food, etc.
05 Mineral products
06 Chemicals & products
07 Plastic & rubber
08 Hides & skins
09 Wood & articles
10 Pulp, paper, etc.
11 Textiles & articles
12 Footwear, headgear
13 Articles of stones
14 Precious stones, etc.
15 Base metals and products
16 Machinery
17 Transport equipment
18 Precision instruments
19 Arms & ammunition
20 Miscellaneous manuf.
21 Works of art, etc.

Note: Calculations include AVEs for specific rates, provided by the authorities.

Source: WTO Secretariat calculations, based on data provided by the authorities.

Chart 3.3 Tariff escalation by 2-digit ISIC industry, 2014



n.a. Not applicable.

Source: WTO Secretariat calculations, based on data provided by the authorities.

3.2.3.2 Bound tariff

3.36. As of March 2015, New Zealand's latest bound schedule in HS2012 had yet to be submitted to the WTO for verification. As a result, a matching of the bound and applied schedules in HS2012 was not available. According to the authorities work was ongoing in order to complete the process.

3.37. For the purpose of this Review, based on WTO Secretariat's transposition to HS2012, it appears that in 2014, only two tariff lines were fully unbound (worn clothing) and 24 tariff lines were partially unbound (transport equipment). The average final bound rate was 11.2% (Table 3.2).

3.38. At the time of New Zealand's previous TPR, it was found that New Zealand bound 99.6% of its tariff lines, of which 96.7% were *ad valorem* rates; 192 and 11 lines carried specific and compound rates of duty, respectively (usually as alternatives to *ad valorem* rates), while 35 lines had other rates.[7] Bindings were not made for some 20 tariff lines, 18 of which relate to transport equipment and two to worn clothing and footwear; there were no partially bound lines. The average final bound rate stood at 11.6%.

3.2.3.3 Tariff preferences

3.39. During the period under review, New Zealand implemented four free trade and closer economic partnership agreements resulting in tariff elimination (section 2.4.2). In addition, New Zealand continues to grant preferential tariff treatment under bilateral trade agreements (Table 3.3).

Table 3.3 Summary analysis of New Zealand's preferential tariffs, 2014

(Number and %)

	Number of preferential lines[a]	Total		WTO agriculture		WTO non-agriculture	
		Average (%)	Duty-free rates (%)	Average (%)	Duty-free rates (%)	Average (%)	Duty-free rates (%)
MFN		2.4	58.3	1.7	64.8	2.5	57.3
Closer Economic Partnership and FTAs:							
Australia	3,097	0.0	99.6	0.0	100.0	0.0	99.5
Canada	2,832	0.3	92.0	0.4	90.1	0.3	92.3
China	3,097	0.1	98.0	0.0	100.0	0.1	97.7
Hong Kong, China	3,097	0.1	98.0	0.0	100.0	0.1	97.7
Malaysia	2,486	0.7	90.2	0.1	98.7	0.8	88.8
Singapore	3,096	0.0	99.6	0.0	100.0	0.0	99.5
Chinese Taipei	3,127	0.0	99.6	0.0	100.0	0.0	99.5
Thailand	3,092	0.4	90.7	0.0	99.9	0.4	89.2
UK and Northern Ireland	9	2.4	58.4	1.7	64.8	2.5	57.4
ASEAN-Australia-New Zealand FTA	2,517	0.7	90.7	0.1	98.9	0.0	89.3
TPA[b]	3,097	0.2	0.1	0.0	0.0	0.2	0.1
SPARTECA[c]	3,097	0.0	99.6	0.0	100.0	0.0	99.5
GSP							
Less developed countries	471	2.2	60.1	1.6	66.3	37.3	59.1
Least developed countries	3,097	0.0	99.6	0.0	100.0	0.0	99.5

a The number of preferential lines includes only lines on which the rates are lower than the corresponding MFN applied rate. The 2014 MFN tariff consists of 7,510 tariff lines out of which 4,381 lines bear a duty-free rate.
b TPA: Transpacific Strategic Economic Partnership Agreement (Brunei Darussalam, Chile, Singapore).
c SPARTECA: South Pacific Regional Trade and Economic Cooperation Agreement (Australia, Cook Islands, Micronesia, Fiji, Kiribati, Nauru, Niue, Palau, Papua New Guinea, Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu).

Source: WTO Secretariat calculations, based on information provided by the New Zealand authorities.

3.2.3.4 Tariff Concessions

3.40. New Zealand applies tariff concessions for social/humanitarian, customs facilitation, trade policy and industry assistance purposes, or to comply with international commitments. Of the 17 categories of tariff concessions, the most frequently used is the duty exemption for goods for which suitable alternatives are not available from local producers/manufacturers. Locally produced "suitable alternative" goods are only recognized when, the domestic content of the locally produced "suitable alternative" good is not less than 25% of its ex-factory cost.

[7] Other rates apply mainly to parts and components for which the tariff depends on the final manufactured product in which they are used.

3.41. Additionally, there are specific concessions for shortfalls of manufacturing inputs; certain capital equipment; and woven fabrics containing wool for use in apparel manufacturing. These concessions are issued for limited periods and, in some cases, are restricted to specific quantities or for the use of specified manufacturers.

3.42. Applications for concession are lodged with the New Zealand Customs Service (NZCS). Approved applications are published in the Customs Edition of the New Zealand Gazette. NZCS also maintains a consolidated list of approvals relating to tariff concessions issued under the general category.[8]

3.43. Since July 2014, a tariff concessions scheme is implemented for a range of goods used in the construction of residential houses in order to support the rebuild effort in the aftermath of the Canterbury earthquakes and help address housing supply issues in other areas such as Auckland. This scheme will be reviewed in five years.

3.44. As indicated in the previous Review, tariff remissions are also granted for exports under the drawback, temporary import, and export warehousing schemes (section 3.3.4).

3.2.4 Other charges affecting imports

3.2.4.1 Other duties and charges

3.45. In addition to tariffs, an import entry transaction fee (IETF) of NZ$29.26 is payable on every electronic import entry clearance, and on import declaration for goods when the sum of duty and Goods and Services Tax (GST) payable exceeds NZ$60. A MPI biosecurity system entry levy of NZ$17.63 (GST inclusive) is payable on every entry on which an IETF is payable and is collected by Customs at the same time as the IETF.

3.46. An inward cargo transaction fee of NZ$30.66 is payable on every inward cargo report for goods imported by air, and NZ$359.82 for goods imported by sea.

3.47. NZCS also collects: (i) a research levy on imports of heavy steel and welding consumables at rates of NZ$10 per tonne of heavy steel, and NZ$0.05 per kilogram of welding consumables; (ii) a levy on alcohol products on behalf of the Health Promotion Agency (HPA) at various rates (Table 3.4); (iii) a synthetic greenhouse gas (goods) levy on goods containing hydrofluorocarbons (HFCs) and perfluorocarbons (PFCs) under the Climate Change Response Act 2002 and the Climate Change (SGG Levies) Regulations 2013 on behalf of the Ministry for the Environment at various rates[9]; and (iv) a biosecurity risk screening levy collected by NZCS on behalf of MPI at rates that can vary between NZ$12.77 and NZ$18.40 (as per the Biosecurity (System Entry Levy) Order 2010).

Table 3.4 Summary of the HPA rates on alcohol products

Alcoholic beverage		Rate as of 1 July 2014 (NZ$)
Beer	Containing more than 1.15% vol. but not more than 2.5% vol.	0.5658 cents per litre
	Containing more than 2.5% vol.	1.6553 cents per litre
Wine of fresh grapes	Containing more than 14% vol., fortified by the addition of spirits or any substance containing spirits	6.8297 cents per litre
	Other	3.7721 cents per litre
Vermouth and other wine of fresh grapes flavoured with plants or aromatic substances	Containing more than 14% vol., fortified by the addition of spirits or any substance containing spirits	6.8297 cents per litre
	Other	3.7721 cents per litre

8 NZ Customs Service online information. Viewed at: http://www.customs.govt.nz/news/resources/listsandguides/Documents/Approvals.pdf.
9 Online information. Viewed at: http://www.legislation.govt.nz/regulation/public/2013/0046/latest/DLM5093414.html.

Alcoholic beverage		Rate as of 1 July 2014 (NZ$)
Other fermented beverages (such as cider, perry, mead)	Containing more than 1.15% vol. but not more than 2.5% vol.	0.5658 cents per litre
	Containing more than 2.5% vol. but not more than 6% vol.	1.6553 cents per litre
	Containing more than 6% vol. but not more than 9% vol.	3.0177 cents per litre
	Containing more than 9% vol. but not more than 14% vol.	3.7721 cents per litre
	Containing more than 14% vol. but not more than 23% vol.	6.8297 cents per litre
	Containing more than 23% vol.	14.5258 cents per litre
Spirits and spirituous beverages	The strength of which can be ascertained by OIML hydrometer (brandy, whisky, rum and tafia, gin and geneva, vodka) other	14.5258 cents per litre
	Containing more than 1.15% vol. but not more than 2.5% vol.	0.5658 cents per litre
	Containing more than 2.5% vol. but not more than 6% vol.	1.6553 cents per litre
	Containing more than 6% vol. but not more than 9% vol.	3.0177 cents per litre
	Containing more than 9% vol. but not more than 14% vol.	3.7721 cents per litre
	Containing more than 14% vol. but not more than 23% vol.	6.8297 cents per litre
	Containing more than 23% vol.	14.5258 cents per litre
Bitters	Containing not more than 23% vol.	6.8297 cents per litre
	Containing more than 23% vol.	14.5258 cents per litre
Liqueurs and cordials	Containing more than 1.15% vol. but not more than 2.5% vol.	0.5658 cents per litre
	Containing more than 2.5% vol. but not more than 6% vol.	1.6553 cents per litre
	Containing more than 6% vol. but not more than 9% vol.	3.0177 cents per litre
	Containing more than 9% vol. but not more than 14% vol.	3.7721 cents per litre
	Containing more than 14% vol. but not more than 23% vol.	6.8297 cents per litre
	Containing more than 23% vol.	14.5258 cents per litre

Source: New Zealand Customs Service online information. Viewed at: http://www.customs.govt.nz/features/charges/feetypes/Pages/default.aspx.

3.2.4.2 Internal taxes

3.2.4.2.1 Goods and Services Tax (GST)

3.48. GST in New Zealand is governed by the Goods and Services Tax Act 1985. It is a consumption tax, based on the "destination principle" which requires that goods and services are taxed in the country in which they are consumed. Consequently, GST is applied to most imported and locally produced and consumed, goods and services. The standard rate of 15% applies to most goods and services. Zero-rated supplies include exports of goods and services, certain business-to-business financial services, certain supplies of fine metal, and certain supplies of land.

3.49. Exemptions are regulated in Part 2 of the Act. These exemptions include financial services that are not zero-rated (for example, business-to-consumer financial services), most supplies of residential housing by lease or sale, and supplies of donated goods and services by non-profit bodies.

3.50. The taxable value of GST for imported goods is the sum of following amounts:

- The customs value of the goods;
- Any customs duty, anti-dumping and countervailing duties, HPA levy or Heavy Engineering Research Association levy payable;
- The freight and insurance costs incurred in transporting the goods to New Zealand; and
- The amount of levy paid or payable on goods under the Climate Change Response Act 2002.

3.2.4.2.2 Excise duties

3.51. New Zealand applies excise taxes on imported and locally produced goods made of or containing: (i) alcohol and alcohol products; (ii) tobacco and tobacco products; and (iii) fuels such as motor spirit, compressed natural gas (CNG), and liquefied petroleum gas (LPG).

3.52. The Excise and Excise-equivalent Duties Table in the Working Tariff Document of New Zealand has a full listing and description of all the excisable goods and excise rates.[10]

3.53. Annual adjustments to the excise and excise-equivalent duty rates on alcohol and tobacco products are based on movements in the "Consumers Price Index All groups, excluding credit services" over the previous 12-month period to the date of adjustment. The latest adjustment took place on 1 July 2014 (alcohol) and 1 January 2015 (tobacco).

3.2.5 Import prohibitions, restrictions, and licensing

3.54. Prohibitions and restrictions are regulated under Customs and Excise Act 1996, or legislation administered by the Government department responsible for particular controls. Some prohibitions/restrictions can be waived, subject to prior approval/exemption from relevant Government departments or agencies (e.g. MPI, Ministry of Health, Environmental Protection Authority, and Ministry of Foreign Affairs and Trade) prior to importation for the prohibition/restriction to be waived. Some import prohibitions and restrictions are covered by import alerts on the NZCS computerized entry processing system and are subject to electronic compliance checks. These relate to agricultural products, food, chemicals, controlled drugs, explosives, firearms, hazardous waste, etc. A comprehensive list of these products and a description of related procedures is found on the NZCS website.

3.55. In 2014, New Zealand notified all its quantitative restrictions to the WTO.[11] As indicated at the time of the previous TPR of New Zealand, no import prohibitions, restrictions, or licensing are operated on commercial grounds.

3.56. The current quantitative restrictions in force are implemented for various purposes, including: protection of public morals, compliance with domestic regulations and international conventions, or protection of public health. They include agricultural products, chemicals, endangered species, as well as a range of food products.

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[10] NZ Customs Service online information. Viewed at: http://www.customs.govt.nz/news/resources/tariff/theworkingtariffdocument/Documents/Excise%20and%20excise-equivalent%20duties%20table.pdf.

[11] WTO document G/MA/QR/N/NZL/2, 7 October 2014.

3.2.6 Anti-dumping, countervailing, and safeguard measures

3.2.6.1 Anti-dumping and countervailing measures

3.57. The Dumping and Countervailing Duties Act 1988 provides the legal basis for investigating dumping and subsidization, and for the imposition of anti-dumping and countervailing duties in New Zealand. Its main provisions reflect the WTO's Anti-Dumping Agreement and Subsidies and Countervailing Measures Agreement. The Trade and Regulatory Co-operation team of the Ministry of Business Innovation and Employment is in charge of the investigation process (acceptance of a complaint by New Zealand producers, initiation of an investigation and the core investigation process).

3.58. During the period under review, noticeable changes were made to New Zealand's legislation on anti-dumping and countervailing.

3.59. The Dumping and Countervailing Duties Act 1988 was amended in 2012 and 2014. The 2012 amendment allows New Zealand importers to apply for a refund of anti-dumping duty paid in excess of the margin of dumping. The 2014 amendment suspended existing anti-dumping duties on residential building materials and suspended the application of any new anti-dumping duties on imports of residential construction materials for three years with effect from 1 June 2014.

3.60. New Zealand's RTAs also contain anti-dumping and countervailing provisions. Under the ANZCERTA protocol, Australia and New Zealand have agreed to dispense with anti-dumping action in relation to goods produced in either country. However, countervailing measures may be taken by either country.

3.61. Under the New Zealand-Singapore Closer Economic Partnership Agreement, New Zealand and Singapore may take anti-dumping and countervailing action against each other. However, in the case of anti-dumping, this agreement provides for a higher *de minimis* dumping margin and a higher "negligible imports" volume threshold. In addition, anti-dumping and countervailing duties will cease after three years unless reviewed, rather than five years as provided for under WTO rules.

3.62. Under the trade agreements with Pacific Forum Island Countries, and Canada, there are a number of notification and consultation requirements to be followed, prior to anti-dumping and countervailing actions.

3.63. Since 2009, New Zealand has initiated four anti-dumping investigations (wire nails from China, preserved tomatoes from Italy, diaries from the Republic of Korea, and preserved peaches from Spain) of which two (wire nails from China, and preserved peaches from Spain) resulted in final measures being taken.

3.64. As of end December 2014, New Zealand maintained definitive anti-dumping measures against China, Greece, Malaysia, South Africa, Spain, and Thailand (Table 3.5).

Table 3.5 Definitive anti-dumping measures, as of 31 December 2014

Country / Customs Territory	Product	Date of original imposition	Date(s) of extension
China	Peaches in preserving liquid	21.08.2006	18.07.2012
	Diaries	18.10.2007	15.08.2013
	Wire nails[a]	02.06.2011; 13.06.2012 (exclusion of some types of nail)	
Greece	Canned peaches	09.03.1998	18.12.2003; 18.11.2009
Malaysia	Diaries	18.10.2007	15.08.2013
	Galvanized wire	29.04.2004	17.11.2009
South Africa	Canned peaches	02.08.1996	28.06.2002; 11.02.2008; 05.06.2014; 15.01.2015

Country/ Customs Territory	Product	Date of original imposition	Date(s) of extension
Spain	Preserved peaches	11.08.2011	
Thailand	Plasterboard (8.75 - 10.25mm)[a]	21.12.1989	26.02.1996; 27.03.2000; 12.12.2002; 11.09.2006; 18.07.2012
	Plasterboard (6mm - less than 12mm)[a]	19.11.2000	11.09.2006; 18.07.2012
	Reinforcing steel bar[a]	05.03.2004	17.11.2009

a Anti-dumping duties suspended.

Source: WTO document G/ADP/N/265/NZL, 6 March 2015.

3.65. As of 1 June 2014, New Zealand suspended anti-dumping duties on plasterboard from Thailand, wire nails from China, and reinforcing steel bar from Thailand for three years. The suspension of these anti-dumping duties on imports of building materials is a measure to support the construction sector in the aftermath of the Christchurch earthquake.

3.66. New Zealand has not imposed any countervailing duties or undertaken any countervailing investigations during the review period. In July 2009, the countervailing duty on canned peaches from the European Union was terminated, following sunset review.

3.2.6.2 Safeguards

3.67. The Trade (Safeguard Measures) Act 2014 entered into force in November 2014 and put in place a new safeguards regime for New Zealand and repealed the previous law relating to safeguards contained in the Temporary Safeguard Authorities Act 1987. The Act requires New Zealand to apply safeguard measures following WTO rules.

3.68. The reform steps under the new Act include measures authorizing the Commerce and Consumer Affairs Minister to impose separate provisional and final safeguard duties to allow safeguard action to be taken quickly; the inclusion of criteria for determining whether the imposition of a safeguard measure is in the public interest; and extending the time-frame for completing a safeguard investigation from 30 to 75 working days. In addition, it allows safeguard duties to be refunded if the investigation finds the measures were not required.

3.69. New Zealand has not imposed any safeguard measures or undertaken any safeguard investigations during the review period.

3.70. The AANZFTA, the New Zealand–Thailand Closer Economic Partnership Agreement, the New Zealand–China FTA, and the New Zealand-Malaysia FTA include a bilateral transitional safeguard mechanism which allows each Party to impose a bilateral transitional safeguard on imports from the other Party during the period tariffs are being phased out for any particular good and for a limited period. Such a transitional safeguard mechanism can be imposed to address situations of serious injury or threats of serious injury to a domestic industry caused by increased imports as a result of tariff reductions under the FTA. In these situations, action can include suspending further tariff reductions or reverting to higher tariffs for a certain period.

3.71. The Closer Economic Partnership between New Zealand and Hong Kong, China and the Economic Cooperation Agreement between New Zealand and Chinese Taipei, both include a provision where, if either Party imposes a WTO safeguards measure, it shall exclude imports from the other party if such imports are not a cause of serious injury or threat thereof. The New Zealand–Thailand Closer Economic Partnership Agreement, the New Zealand–China FTA and the New Zealand–Malaysia FTA provide that a Party applying a global safeguard measure may exclude imports from the other Parties where those imports are not cause of serious injury. Under the Australia-New Zealand Closer Economic Relations Agreement and the New Zealand–Singapore Closer Economic Partnership Agreement, a Party imposing a global safeguard measure must exclude imports originating from another Party from the measure.

3.2.7 Standards and other technical requirements

3.72. New Zealand's standards regime (including technical regulations and other technical requirements) did not undergo significant changes during the review period. The New Zealand Standards Council oversees the development and adoption of standards. Standards New Zealand, the national standards body, continues to operate under the Standards Act 1988 and the Crown Entities Act 2004. It represents New Zealand in the International Organization for Standardization (ISO) and the International Electrotechnical Commission (IEC). Standards New Zealand is also the national enquiry point under the WTO Agreement on Technical Barriers to Trade (TBT).

3.73. New Zealand's standards development process continues to involve wide consultation, as Standards New Zealand has accepted the Code of Good Practice for the Preparation, Adoption and Application of Standards under Annex 3 of the TBT Agreement. When developing a standard, Standards New Zealand invites all interested stakeholders to nominate a representative to the standards development committee. The stakeholders may be regulators, professional bodies, research agencies, manufacturers, or end-users. A public consultation period of six to eight weeks is provided on a draft standard.

3.74. The majority of New Zealand's standards are voluntary (Table 3.6). However, they can be mandatory when cited in the relevant legislation or regulations. Since 2009, New Zealand has notified some 22 technical regulations (mandatory standards) to the WTO. They cover products in areas including environmental protection, human health, food standards, and products safety.

Table 3.6 New Zealand standards, 2009-14

	2009	2010	2011	2012	2013	2014
Total number of standards	3,036	3,050	3,103	3,118	3,193	3,205
of which technical regulations	n.a.	n.a.	n.a.	1,271	1,210	1,214
Per cent developed by New Zealand	19	19	19	19	18	18
Per cent developed jointly by Australia & New Zealand	81	81	81	81	82	82
Per cent of total equivalent to ISO standards	14	13	13	14	14	15
Per cent of total equivalent to IEC standards	19	18	18	18	18	20
Per cent of total equivalent to ISO and IEC (ISO/IEC)	11	11	11	11	11	8
Per cent for which no internationally equivalent standard available	56	58	58	57	57	57

n.a. Not available.

Source: Information provided by the authorities.

3.75. Products (imported or produced locally) are tested or inspected by various laboratories or inspection bodies, and two accreditation bodies assess them independently (Table 3.7).

3.76. New Zealand cooperates with several of its major trading partners under the framework of Mutual Recognition Agreements (MRAs) (Table 3.8). The Trans-Tasman MRA between New Zealand and Australia is the most comprehensive cooperation framework and provides for extensive mutual recognition as shown below.

Table 3.7 Standards and conformity assessment infrastructure

Activity	International organization	Regional organization	National authority	Relevant legislation
Documentary standards	International Organisation for Standardisation (ISO) International Electrotechnical Commission (IEC)	Pacific Area Standards Congress (PASC)	Standards New Zealand (SNZ)	Standards Act, 1988 Crown entities Act, 2004
Physical standards of measurement	International Bureau of Weights and Measures (BIPM)	Asia Pacific Metrology Programme (APMP)	Measurement Standards Laboratory (MSL)	Measurement Standards Act, 1992
Legal measurement	International Organisation of Legal Metrology (OIML)	Asia Pacific Legal Metrology Forum (APLMF)	Trading Standards, Ministry of Business, Innovation and Employment	Weight and Measures Act, 1987
Accreditation of laboratories, inspection bodies and radiology services	International Laboratory Accreditation Co-operation (ILAC)	Asia Pacific Laboratory Accreditation Co-operation (APLAC) European Co-operation for Accreditation (EA) Inter-American Accreditation Cooperation (IAAC)	International Accreditation New Zealand (IANZ)	Testing Laboratory Registration Act, 1972 Crown entities Act, 2004
Accreditation of certification bodies (products, systems and personnel)	International Accreditation Forum (IAF) International Auditor and Training Certification Association (IATCA)	Pacific Accreditation Cooperation (PAC)	Joint Accreditation System for Australia and New Zealand (JAS-ANZ)	The JAS-ANZ Treaty, 1998

Source: Information provided by the New Zealand authorities.

Table 3.8 Overview of MRAs involving New Zealand, 2014

Cooperation framework	Areas covered
Australia (Trans-Tasman MRA)	A good that may be sold legally in Australia may be sold in New Zealand (and vice versa) without further technical regulation requirements. There are a limited number of exceptions where mutual recognition would not be appropriate, such as Radio communications Regulations
China	Conformity assessment for electric and electronic equipment and components
Chinese Taipei	Conformity assessment for electric and electronic equipment and components, including electrical safety and Electromagnetic Compatibility (EMC)
Singapore	Conformity assessment for electric and electronic equipment and components
European Union	Conformity assessment for: medicinal products, medicinal devices, telecommunications terminal equipment, low voltage equipment, electromagnetic compatibility, machinery, and pressure equipment
APEC countries	Conformity assessment for electric and electronic equipment and food products

Source: WTO Secretariat and information provided by the authorities.

3.77. New Zealand has two key product safety laws: the Consumer Guarantees Act 1993 and the Fair Trading Act 1986. Under the Ministry of Business, Innovation and Employment, Trading Standards (formally the Measurement and Product Safety Service (MAPSS)) administers and provides advice on the product safety provisions of these Acts. These regulations do not have a mandated review period.

3.78. Part Three of the Fair Trading Act affords the Minister of Consumer Affairs a range of statutory powers to place controls on unsafe consumer goods, i.e. to set mandatory standards for consumer goods, ban unsafe consumer goods (through unsafe goods notices), compel the recall of an unsafe good or issue a product safety policy statement. This last measure was introduced as part of the review of consumer protection legislation in 2013. A product safety policy statement is a statement from the Government in relation to a product safety issue, but it does not in itself carry a legal sanction. It can be used as possible precursor to regulatory intervention. An unsafe goods notice can be introduced without public consultation and it remains in force for 18 months (unless revoked). After the initial 18 months the Minister can make it permanent, following a consultation process.

3.79. The Minister makes decisions based on advice received from Trading Standards, and is provided with a range of options and recommendations in respect of possible legal measures to address the risks and issues identified.

3.80. The Consumer Guarantees Act is a general consumer protection law which sets minimum standards of quality for goods and services. It provides consumers with a series of civil law rights in relation to the purchase of goods. In cases where goods are not of "acceptable quality" (which includes the requirement for the goods to be safe) a consumer can seek civil redress.

3.81. There are currently six product safety standards made under the Fair Trading Act for: baby walkers; children's nightwear; children's toys; cigarette lighters; household cots and pedal cycles. Unsafe goods notices are currently in force for: lead in children's toys; chainsaws; multi-purpose ladders; hot water bottles; candles with lead in the wicks and candlewicks containing lead; and pistol crossbows.[12]

3.82. The Commerce Commission enforces product safety standards and product bans made under the Fair Trading Act. The New Zealand Customs Service can also enforce the safety provisions.

3.83. During the review period, specific trade concerns were raised within the framework of the WTO Committee on Technical Barriers to Trade, with respect to New Zealand's Proposal in 2012 to introduce plain packaging of tobacco products.[13] On 11 February 2014, the Smoke-free Environments (Tobacco Plain Packaging) Amendment Bill (Plain Packaging Bill) passed its first reading in the New Zealand Parliament and was referred to a parliamentary select committee for further consideration.

3.84. The Plain Packaging Bill is set to enable regulations to be made to set out the detailed requirements for the design and physical appearance of any packaging used or intended for use with tobacco products, and of the tobacco products themselves. However, according to the authorities, the Plain Packaging Bill and the regulations to implement plain packaging might be delayed, if necessary. This is to enable the Bill to take into account the implications of ongoing WTO dispute settlement proceedings on similar matters.

3.85. In 2010, the Electricity (Safety) Regulations 2010 revoked the Electricity Regulations 1997. According to the authorities, the new Regulations promote the health and safety of individuals involved in the supply and use of electricity in New Zealand, and promote the prevention of damage to property. The main changes brought about by the 2010 Regulations include: the definition of requirements relating to safety management systems and the adoption of relevant international standards. In addition, the regulations deal with the importation and sale of fittings and appliances.

3.86. In July 2014, New Zealand introduced the Standards and Accreditation Bill 2014. The authorities stated that the purpose of this Bill is to ensure that the New Zealand Standards and accreditation system is viable and well-functioning, and meets the needs of business, regulators, and consumers into the foreseeable future. This is set to be done by means of new institutional arrangements for New Zealand standards development and approval, as well as for the Testing Laboratory Registration Council.

[12] Online information. Viewed at: http://www.consumeraffairs.govt.nz/legislation-policy/acts-regulation/product-safety-standards/how-product-safety-laws-work-in-new-zealand.

[13] WTO document G/TBT/M/62, 20 May 2014.

3.2.8 Sanitary and phytosanitary requirements

3.87. New Zealand continues to attach high importance to the protection of human, animal, and plant life or health. As a consequence, it maintains a relatively strict SPS regime. "Risk goods" cannot be imported into New Zealand until a comprehensive risk assessment has been completed through the adoption of an "Import Health Standards" (IHS).

3.88. New Zealand's main SPS legislation, i.e. the Biosecurity Act 1993 and the Animal Products Act 1999, has not been significantly amended during the review period.

3.89. The Food Act 2014 updates the Food Act 1981. It reforms provisions on trade in food in order to enhance safety and suitability. It also sets guidelines for risk-based measures to improve public health protection. The Act is scheduled to be fully in force by mid-2016.

3.90. In 2012, the Ministry of Agriculture and Forestry (MAF) was merged with the Ministry of Fisheries and the New Zealand Food Safety Authority (NZFSA) to form the Ministry for Primary Industries (MPI).

3.91. The MPI is in charge of New Zealand biosecurity and food safety systems. MAF Biosecurity New Zealand became part of MPI in 2012. Its pre-border and post-border functions are now dispersed across several branches in the organisation. Functions relating to implementation of the Biosecurity Act 1993 are largely now the responsibility of the Regulation and Assurance Branch.

3.92. The Animal and Animal Products Directorate has responsibility for developing SPS measures relating to animal health and zoonoses, in accordance with relevant international standards. The Plants, Food and Environment Directorate has the responsibility of developing SPS measures relating to plant health. SPS New Zealand, which is also part of the MPI, is the Notification Authority and National Enquiry Point for the purposes of the WTO SPS Agreement. Food safety issues are regulated in various branches of the MPI, mainly in the Policy and Trade, and the Regulation and Assurance Branches, as well as the Compliance Branch.

3.93. Under Section 24A of the Biosecurity Act 1993, New Zealand issues Import Health Standards (IHS), which are documents that state the requirements to be met before risk goods can be imported under the Biosecurity Act.

3.94. A risk good is any organism, organic material, or any other substance that, by reason of its nature, origin, or other relevant factors may: (a) cause unwanted harm to natural and physical resources or human health in New Zealand; or (b) interfere with the diagnosis, management, or treatment, in New Zealand, of pests or unwanted organisms. In practice, the nature of the good (e.g. plant or animal material) and/or a history of regular interceptions of organisms on a particular product (e.g. inanimate objects) may be the basis for determining that the product is a risk good and therefore requires an import health standard to enable its importation.

3.95. Risk goods cannot be cleared for entry into New Zealand unless the risks posed by the goods have been assessed and can be effectively managed. Any risk good that does not meet the biosecurity requirements for import (set out in an import health standard), or which have not been assessed, will not be cleared for entry to New Zealand. Risk goods require a risk analysis to be undertaken before an import health standard can be issued and goods cleared under it.

3.96. Decisions on issuing import health standards are the responsibility of the Director-General of MPI, on the recommendation of a Chief Technical Officer. To date, over 350 IHS have been issued (of which about 90 during the review period). The MPI maintains an online system which provides detailed information on specific IHS by commodity and by country.[14]

3.97. An importer can apply for an IHS to be drafted if one does not exist. Applications are assessed and prioritized against specific criteria, including the importance of the product, its strategic nature, the net benefit, as well as the work required for the IHS. Risk analysis is the first stage in the development of IHS. It involves the identification of potential pests and diseases

[14] Biosecurity New Zealand online information. Viewed at: http://www.biosecurity.govt.nz/ihs/search/0?page=9.

associated with a product, the likelihood of entry and establishment in New Zealand and the potential impacts on the economy, the environment and human health in New Zealand. Proposed IHSs go through a wide public consultation before their adoption. The timeframe for public comment varies depending on the nature of the amendment, the number of interested/affected parties, the urgency of the measures, as well as implementation factors.

3.98. SPS certification from the country of origin may be required for food products for which there are specific food safety provisions, in the pre-clearance arrangements. If there are no such requirements, no SPS certification is needed.

3.99. Food Standards are made under the Food Act 1981. They set general safety and production requirements that must be met by food producers. The Food (Importer Listing) Standard 2008 requires food importers to be listed as an importer with MPI, and the Food (Importer General Requirements) Standard 2008 set specific requirements for sourcing, storage and transport prior to import, and record keeping.

3.100. The Biosecurity Costs Regulations 2010 and the Biosecurity System Entry Levy Order 2010 establish the structure of charges paid by importers to MPI for biosecurity clearance of imported goods and other related activities at the border.

3.101. For exporters to meet importing countries requirements, the MPI also maintains an export certification system for plant products whereby it authorizes Independent Verification Agencies (IVAs) and approved organizations to carry out certification services and activities on its behalf. It has developed standards and technical requirements in this regard.

3.102. Under the Animal Products Act 1999 (APA), Animal Products Notices, Specifications, and Overseas Market Access Requirements are issued by the MPI to: (a) minimise and manage risks to human or animal health arising from the production and processing of animal products, by instituting measures that ensure that all traded animal products are fit for their intended purpose; and (b) facilitate the entry of animal material and products into overseas markets.

3.103. Under the Wine Act 2003, Wine Standards, Notices, and Codes of Practice provide standards for identity, truthfulness in labelling, and safety of wine. They also facilitate the entry of wine into overseas markets by providing the necessary quality and safety controls. Since 2009, eight Wine Notices and Codes of Practice have been issued.

3.104. As mentioned in the previous Review, Food Standards Australia New Zealand (FSANZ) develops food standards for food available in New Zealand and Australia. These standards are described in the Australia New Zealand Food Standards Code which provides a common set of food composition and labelling rules agreed between New Zealand and Australia. Food composition includes ingredients (including novel foods and those produced using gene technology), processing aids, colourings, additives, vitamins and minerals. Under the Trans-Tasman Mutual Recognition Agreement (TTMRA), goods produced in, or imported into, New Zealand and then legally sold, may be sold in Australia, and vice versa. However, "high-risk" foods (Bovine and bovine meat products, and Bivalve Molluscan Shellfish (BMS) are exempt from the TTMRA and subject to import clearance procedures. The MPI provides updated guidance for importers who want to import from Australia.[15]

3.105. New Zealand makes annual updates to amend the Maximum Residue Limit of agricultural compounds, under its Food Standards 2014.[16]

3.106. Since 2009, New Zealand has notified to the WTO 96 new SPS measures (regular and emergency measures), of which 12 were emergency measures affecting either all its trading partners or geared towards specific Members including Brazil, Chinese Taipei, EU members, the United States, Paraguay, Switzerland and Turkey. These regulations were imposed based on existing international standards. No trade concerns involving New Zealand were raised in the WTO SPS Committee during the review period.

[15] Ministry for Primary Industries online information. Viewed at: http://www.foodsafety.govt.nz/elibrary/industry/Importing_Prescribed-Review_Food.pdf.

[16] WTO document G/SPS/N/NZL/508, 29 August 2014.

3.107. New organisms, including GMOs, are regulated through the 1996 Hazardous Substances and New Organisms (HSNO) Act. Under HSNO, all new organisms are prohibited from importation, development, field testing or release without formal approval from the Environmental Protection Agency (EPA), which is required to take into account various factors related to the potential risks and benefits of the proposal. These include environmental, economic, social, cultural, and public health considerations. The MPI ensures that the controls placed on new organism approvals by the EPA are complied with.

3.108. GMO foods and ingredients can only be sold in New Zealand if they have been assessed for safety and consequently approved by Food Standards Australia New Zealand (FSANZ). The Australia and New Zealand Ministerial Forum on Food Regulation has the capacity to adopt, or seek a review of the approval. MPI is also responsible for ensuring foods containing GMOs are labelled in accordance with the appropriate standard in the Australia New Zealand Food Standards Code.

3.3 Measures Directly Affecting Exports

3.3.1 Export procedures and requirements

3.109. All export declarations must be lodged and cleared electronically before goods are loaded for export. Goods valued at less than NZ$1,000 and passenger effects are exempt from this requirement. In 2006, NZCS established the "Secure Export Scheme", a voluntary arrangement between exporters and the NZCS to protect the exporters' international supply chain against tampering, sabotage, smuggling and other trans-national crime.[17] Under the scheme, several advantages such as NZCS advice, assistance for unexpected issues, and a reduced export entry transaction fee of NZ$12.01 (inclusive of GST) are offered to registered exporters.

3.3.2 Export taxes, charges, and levies

3.110. New Zealand does not impose export taxes or duties on exports.

3.3.3 Export prohibitions, restrictions, and licensing

3.111. New Zealand imposes restrictions, licensing requirements, additional controls and prohibitions on a variety of exports, mostly for health and safety reasons, or to comply with international obligations. In the case of some agricultural products, export licences are maintained either to manage trading partners' import requirements (tariff-quotas) or for marketing reasons. NZCS maintains an updated list of goods subject to export prohibitions or control.[18]

3.3.4 Duty and tax concessions

3.112. Exporters may be eligible for duty drawback on import duties, excise taxes and, in certain cases GST, paid on imported goods.[19] There have been no amendments to the drawback regime since the last Review. Exporters can claim a refund of duties for: goods imported into New Zealand that are later exported; goods manufactured and exported from New Zealand; imported parts used for goods manufactured in New Zealand and subsequently exported; and imported materials, except fuel or plant equipment, used in the manufacture of goods in New Zealand and exported.[20] Re-import of goods exported under drawback provisions is allowed (subject to payment of corresponding customs duty).

3.113. The minimum amount of drawback that can be claimed for commercial goods is NZ$50. There is no minimum amount for private exporters.

3.114. The amount of duties refunded under the drawback scheme stood at NZ$44 million in 2013/2014, up from NZ$37 million in 2008/2009.

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[17] NZ Customs Service online information. Viewed at: http://www.customs.govt.nz/news/resources/factsheets/Documents/Fact%20Sheet%2034.pdf.

[18] NZ Customs Service online information. Viewed at: http://www.customs.govt.nz/news/resources/factsheets/Documents/Fact%20Sheet%2004.pdf.

[19] Section 117 of the Customs and Excise Act 1996.

[20] NZ customs Service online information. Viewed at: http://www.customs.govt.nz/news/resources/factsheets/Documents/Fact%20Sheet%2001.pdf.

3.115. Duties may be waived for temporary imports, if the goods are re-exported or packed for export in a customs controlled area, or destroyed within 12 months from the date of importation. In addition, duty remissions are available for goods held in Customs controlled areas (export warehouses and duty-free shops) duly licensed by the NZCS.

3.3.5 Export promotion and marketing assistance

3.116. Since the previous Review, no substantial change has occurred in New Zealand's export promotion framework. New Zealand Trade and Enterprise (NZTE) remains the key agency involved in export promotion. Its activities include strategic advice, facilitating access to networks, research and market intelligence for new export companies and support for enterprises that already export.

3.117. NZTE's Industry Capability Network (ICN) is a service working across New Zealand and Australia to give suppliers and purchasers access to a wide range of supply-chain and project opportunities.

3.118. The International Growth Fund (IGF) of NZ$30 million aims at supporting export businesses with high growth potential. In addition, the IGF seeks to increase the number and size of New Zealand businesses embedded in the global economy.

3.119. The New Zealand Story Advisory Board and New Zealand Story team (NZ Story) are building a resource to promote good reputation of export products by sharing success stories on some New Zealand products and services. The NZ Story Secretariat is housed within NZTE.

3.120. Through the Business Growth Agenda (BGA), NZTE has the responsibility to extend companies' international reach by focusing assistance on them and mobilising capital to support business growth.

3.3.6 Export credit insurance and guarantees

3.121. Since the previous Review, the New Zealand Export Credit Office (NZECO) continues to provide trade credit insurance and financial guarantee products that complement those available in the private sector for exporters and banks, including against the risk of non-payment arising from defined political or commercial risks (up to 95% cover).

3.122. NZECO is currently located in the Treasury, and its obligations to third parties are guaranteed by the New Zealand Government. The Government's maximum liability under the scheme is NZ$740 million. To be eligible for NZECO's guarantees, an exporter must be either a New Zealand registered company, or a subsidiary of a New Zealand registered company located abroad; and an economic benefit to New Zealand must exist from the transaction.

3.123. Traditionally, the NZECO products relate to medium and long-term financing (between one and 14 years). However, in response to the global financial crisis, NZECO's mandate was extended in 2009 to cover short-term trade credit insurance, which covers the risk of a foreign buyer defaulting on their short-term repayments (less than 360 days), due to specific commercial or political events. NZECO is not mandated to compete with the private insurers and can only provide this product for non-marketable risks and/or where the insurers lack the capacity. During the 2013/2014 financial year, NZECO guaranteed NZ$306 million worth of export transactions in support of 36 exporting companies, of which 74% had annual turnovers of less than NZ$50 million and 62% had annual turnovers of less than NZ$25 million.

3.124. According to the authorities, NZECO follows the OECD Arrangement on export credits and pricing, as well as its own Crown mandated criteria and prudential limits.[21]

3.125. NZECO also provides co-insurance (top-up cover) policies to support the private insurers' capacity.

[21] NZ Export Credit office online information. Viewed at: http://www.nzeco.govt.nz/about/annualreport/ar-nzeco-13-14.pdf.

3.4 Measures Affecting Production and Trade

3.4.1 Incentives

3.126. New Zealand's business climate is considered as one of the most attractive in the world. It highly encourages private entrepreneurship and competition. According to the World Bank 2014 Doing Business Report, New Zealand ranks third among 189 economies on the ease of doing business index; it takes one day and one procedure to register a private company in New Zealand.[22]

3.127. During the period under review, New Zealand maintained its efforts of creating a proactive regulatory environment, with strong emphasis on innovation and capacity building.

3.128. Under Callaghan Innovation, the High Performance Working Initiative (HPWI) helps medium-sized firms to use high performance working practices to achieve higher productivity and improve business performance. Callaghan Innovation delivers HPWI via contracted partners to engage specialist business improvement consultants to design and coordinate the delivery of programmes of groups of participating enterprises. HPWI has annual funding of NZ$1 million.

3.129. Callaghan Innovation, a stand-alone Crown Entity established in 2013, administers most of the incentive programmes for innovation.

3.130. Under the Callaghan Innovation's Business R&D Funding programme, over NZ$160 million is spent yearly to provide an incentive for increasing business investment in research and development (R&D) with a view to accelerating innovation by firms in New Zealand. The programme is implemented through three schemes:

- The R&D Growth Grants for businesses with a strong track record for R&D spending in New Zealand. It provides 20% public co-funding for qualifying firms' eligible R&D expenditure, capped at NZ$5 million per annum. After two years of funding, businesses can be granted a two-year extension of funding;

- The R&D Project Grants supports companies with new or weak R&D programmes; and

- Callaghan Innovation's Research and Technical Services provides a range of services to industries engaged in various forms of high-tech manufacturing. These services include product development/prototyping, open laboratories, workshops and pilot plants, testing and failure analysis, near market research and contracting R&D services.

3.131. Under the Better by Lean programme, Callaghan Innovation assists companies achieve the objective of improving performance, eliminating inefficient processes and activities, and increasing customer satisfaction. The programme includes a two-day course at the University of Auckland and co-funding of 50% or up to NZ$20,000 towards consultant costs for lean planning, training and implementation in the first 12 months.

3.4.2 Subsidies and other government assistance

3.132. As at the time of the previous Review, subsidies schemes in New Zealand seek to promote business capabilities, growth, investment, regional development and R&D; and they are provided mainly in the form of grants. Eleven subsidy schemes that were in place over 2009-10 were notified to the WTO in 2011 (Table 3.9).[23]

3.133. A refund of excise duties is available for vehicles, such as agricultural vehicles and some commercial vehicles that do not travel on the road. Refunds are also available for commercial vessels that operate exclusively or principally for commercial purposes.

[22] World Bank Group (2013).
[23] WTO documents G/SCM/N/220/NZL, 15 July 2011; and G/SCM/N/253/NZL, 24 June 2013.

Table 3.9 Subsidy schemes, 2009-11

Subsidy scheme	Purpose	Form of assistance	Duration	Annual budget (2009/10) in NZ$
Enterprising Auckland Fund	Regional development	Grant for up to 80% of the costs of the project	No fixed duration/ the programme ended in 2010	1 million allocated, with nil actual expenditure
Enterprising Partnership Fund	Regional development	Grants for up to 70% of the costs of the project	No fixed duration/ the programme ended in 2011	9.25 million
New Zealand Export Credit Office Programme	Trade finance	Credit guarantees	No fixed duration, but subject to regular review	2.094 million (operating costs
Australia New Zealand Biotechnology Fund	Industry co-development in Australia and New Zealand	Grants for up to 25% of the costs of eligible activities	Formerly closed in November 2010	4 million
International Growth Fund	Firms capabilities development	Grants for up to 50% of the costs of approved activities	No fixed duration	9.6 million
Research Consortia	Research contracts between Government and businesses	Grant. Consortia must invest a minimum of NZ$500,000	No fixed duration for the programme	19.561 million
Beachheads	Development of international connections for businesses	Various services, including advice, business connections	No fixed duration for the programme	4.718 million
Primary Growth Partnership	Research and innovation	Grants for up to 50% of eligible costs	No fixed duration	No expenditure in 2009/10
Food Innovation Network	Food development and commercialization	Grant	Ongoing	No expenditure in 2009/2010
Environmental Certification Fund	Assist seafood industry to get independent environmental certification	Grants for up to 75% of the costs	Ongoing	1.937 million
Aquaculture Sector Market Development	Market development and implementation of national priority	Grants for up to 50% of eligible costs	Terminated in 2014	550,000

Source: WTO Secretariat, based on WTO documents G/SCM/N/220/NZL, 15 July 2011.

3.134. In 2013, New Zealand notified its Primary Growth Programme (PGP) initiative to the WTO. The PGP initiative invests in significant programmes of research and innovation to boost economic growth and the sustainability of agriculture and food sectors. Its annual budget stood at NZ$40 million in 2010/11 and NZ$50 million in 2011/12. There is no fixed duration for the programme.[24]

3.4.3 Competition policy

3.135. New Zealand's competition regime continues to be governed mainly through the Commerce Act 1986 (the Commerce Act) as amended. It applies broadly across the economy, including the public sector. The New Zealand Commerce Commission (the Commerce Commission) is an independent statutory body with responsibility for enforcing the Commerce Act.

3.136. The Commerce Act aims to promote competition in New Zealand markets for the long-term benefit of consumers. It prohibits conduct that restricts competition (anti-competitive coordinated behaviour and unilateral conduct), as well as acquisition of assets of a business or shares if the acquisition leads to a substantial lessening of competition in a market.

3.137. The Pharmaceutical Management Agency (PHARMAC) decides on behalf of District Health Boards which medicines and related products are subsidized for use in the community and public hospitals. It has a partial exclusion from the restrictive trade practices provisions of the Commerce

[24] WTO document G/SCM/N/253/NZL, 24 June 2013.

Act, as regards its pharmaceutical management activities. According to the authorities, PHARMAC generally does not take advantage of this exemption.

3.138. In addition, the Commerce Act does not cover a list of specified services that are subject to other specific regulatory regimes. This includes international shipping, under the Shipping Act 1987; authorized international civil aviation arrangements, under the Civil Aviation Act 1990; and employment relations, under the Employment Relations Act 2000.

3.139. The Commerce Commission maintains Memoranda of Understanding (MoU) with three domestic regulators, i.e. the Financial Markets Authority, the Gas Industry Company, and the Electricity Authority. Each MoU clarifies the interface between the Commerce Commission's role and that of the sectoral regulator. The Commerce Commission's responsibility covers generic competition enforcement issues, while the sectoral regulator deals with technical oversight of the sector.[25]

3.140. The Commerce Act may apply to certain conducts outside New Zealand by a person resident or carrying on business in New Zealand that affect a market in New Zealand.

3.141. There is no compulsory requirement to notify the Commerce Commission of mergers and acquisitions in New Zealand. However, businesses may seek clearance or authorization from the Commerce Commission if they believe a proposed acquisition may have the effect of substantially lessening competition. The effect of clearance by the Commerce Commission is to offer companies protection from legal action under the Commerce Act.

3.142. In order to maintain stakeholders' awareness, the Commerce Commission provides guidelines about the main provisions of the Commerce Act, whereby it sets out factors that it takes into account when dealing with restrictive trade practices and business mergers and acquisitions. In general, to determine if a merger/acquisition may result in lessening competition in a market, the Commerce Commission follows formal guidelines detailing how it will conduct its assessment. First, the market must be defined by accounting for factors such as products substitutability, geographical extent, functional level (manufacture, wholesale, retail), consumer dimension, and demand-side and supply-side substitutions. Following the definition of relevant market, the impact of the merger/acquisition on competition in the market must be assessed.

3.143. During the review period, the Commerce Commission updated its mergers and acquisitions guidelines, as well as its authorization guidelines to reflect new developments. In the new guidelines, released in July 2013, the Commerce Commission indicated that its focus is on conditions of entry and expansion by existing and new competitors; it also expressed the view that a merger that relies on efficiencies is better dealt with under the authorization regime.[26]

3.144. Authorization guidelines provide factors taken into account by the Commerce Commission when considering applications to authorize arrangements or business acquisitions that lessen competition but may be in the public interest. Under the revised guidelines, the Commerce Commission assesses whether an anti-competitive transaction will be likely to lead to any losses in productive and dynamic efficiency on a case-by-case basis.

3.145. The Commerce Commission also enforces consumer legislation (through the Fair Trading Act 1986 and the Credit Contracts and Consumer Finance Act), as well as competition components of industry-specific regulations, i.e. under Part 4 of the Commerce Act (in respect of electricity transmission and distribution lines, gas transmission and distribution pipelines, and specified airfield activities of the major international airports), the Telecommunications Act 2001 (for telecommunications); the Dairy Industry Restructuring Act 2001 (as amended in 2012 in respect of raw milks).

3.146. In October 2011, the Minister of Commerce introduced the Commerce (Cartels and Other Matters) Amendment Bill 2011 into Parliament. As of February 2015, the Bill was at its

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[25] Commerce Commission online information. Viewed at: http://www.comcom.govt.nz/the-commission/about-us/relationships-with-other-agencies/.

[26] OECD online information. Viewed at: http://www.oecd.org/officialdocuments/publicdisplaydocumentpdf/?cote=DAF/COMP/AR(2013)33&docLanguage=En.

second assessment by Parliament. The Bill pursues various objectives, such as introducing criminal sanctions for hard-core cartels, i.e. those formed when rival firms agree to not compete with each other by fixing prices, restricting output, allocating markets or rigging bids. Another objective of the Amendment Bill is to provide for an exemption regime for legitimate, pro-competitive and efficient arrangements between firms, provided that their main purpose is not anti-competitive and the cartel provisions are reasonably necessary to achieve that purpose. The proposed Amendment also removes the exemptions for international shipping currently contained in the Commerce Act 1986 and Shipping Act 1987 (section 4). In addition, it extends the statutory timeframes for clearances from 10 to 40 working days.

3.147. Under the Commerce (International Cooperation, and fees) Amendment Act 2012, the Commerce Commission is allowed to provide compulsory acquired information and investigative assistance to a recognized overseas regulator where an appropriate cooperation agreement is in place. In addition, the fee provisions were amended to allow the Commerce Commission to refund any overpayment or exempt certain categories from fees levied for clearance and authorization applications.

3.148. The Search and Surveillance Act 2012 amends the Commerce Act by aligning the Commerce Commission's powers with those of the main regulatory enforcement agencies. These provisions largely deal with procedural matters such as securing the 'scene', computer searches, and clarifying protection for legal privilege.

3.149. In July 2012, the Dairy Industry Restructuring Act 2001 (DIRA) was amended to further promote contestability of the market through greater transparency of Fonterra's farm-gate milk price setting process.[27] Under the amended provisions, the Commerce Commission is responsible for undertaking two statutory reviews, each season, of Fonterra's farm-gate milk price calculation, as well as the methodology used (section 4.2).

3.150. New Zealand continues to be involved in bilateral cooperation with overseas competition authorities (Table 3.10), as well as in international frameworks such as the International Competition Network (ICN) and the Competition Committee of the OECD. According to the authorities, as an example of bilateral cooperation, in 2013/14, the Commission obtained permission from the Australian Competition and Consumer Commission (ACCC) to inspect protected information under the Australian Competition and Consumer Act, regarding a cartel investigation into potential breaches of the Commerce Act. The ACCC undertook a similar investigation, which resulted in legal proceedings.

Table 3.10 List of bilateral agreements on competition issues, 2014

Agreement type	Parties
Memorandum of Understanding	Australian Competition Commission, The Commissioner of Competition (Canada) and New Zealand Commerce Commission
Memorandum of Understanding	Australian Competition Commission, the New Zealand Commerce Commission and the Fair Trade Commission of Chinese Taipei
Cooperation Agreement	Australian Competition Commission and New Zealand Commerce Commission
Cooperation Agreement (Mergers)	Australian Competition Commission and New Zealand Commerce Commission

Source: Information provided by the authorities.

3.151. Competition chapters are also included in most of RTAs involving New Zealand (Table 3.11). According to the authorities, this is to ensure that the benefits of an agreement are not undermined by anti-competitive practices, and give greater certainty and transparency for New Zealand businesses operating in member states. In general, competition chapters recognize the importance of promoting and maintaining competition that enhances economic efficiency and consumer welfare. As such, they may include provisions for cooperation, and capacity building.

[27] DIRA allowed Fonterra, a dairy cooperative, to be established in 2001 following an authorization under the Commerce Act. Due to Fonterra's dominant position at the time (96% of New Zealand' milk production), the DIRA set up a regulatory regime to promote the efficient operation of New Zealand's dairy markets, i.e. Fonterra must accept all milk supply from dairy farmers in New Zealand and allow relatively costless exit from the cooperative.

Table 3.11 Summary of regional trade agreements with competition chapters in force

Regional trade agreement	Competition chapter: brief overview
ASEAN-Australia-NZ FTA (2010)	Covers basic competition principles and cooperation
NZ-Hong Kong, China Closer Economic Partnership (2011)	Covers promotion of competition, exemptions, cooperation, exchange of information and consultations
NZ-Malaysia FTA (2009)	Covers general competition principles, cooperation, discussions on anti-competitive practices
Trans-Pacific Strategic Economic Partnership (2005)	Covers general competition objectives, competition law and enforcement, cooperation, notifications, consultations, exchange of information, exclusive rights and exemptions
NZ-Thailand Closer Economic Partnership (2005)	Covers general competition objectives and principles, promotion of competition, application of competition laws, exemptions, cooperation, exchange of information, technical cooperation, consultation and transparency
NZ-Singapore Closer Economic Partnership (2001)	Covers general competition principles and their application, non-discrimination, compliance cost reduction, coordination, consultation, resourcing, cooperation and information exchange
Agreement between NZ and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation	Covers endorsement of APEC competition principles, promotion of competition, transparency, implementation, cooperation, competition laws and authorities, exemptions, private rights of action, consumer protection, cooperation and exchange of information, and consultations

Source: Information provided by the authorities.

3.152. Despite the relatively good international standing of New Zealand's competition regime, as supported, for instance, by the Global Merger Control Index[28], questions remain in terms of the appropriate level of competition in some economic sectors, mainly services.

3.153. In 2014, a study by New Zealand's Productivity Commission identified relatively low competition in the services sector (i.e. in the retail, insurance, finance, real estate, and professional, scientific and technical services) as one of the main reasons for the low productivity/high costs in the sector.[29] While factors such as foreign investment screening, professional licensing requirements, and the smallness and remoteness of New Zealand's market were pointed out as significant barriers to international competition in services, New Zealand's competition legislation was also described as offering room for improvement. In that regard, the Commerce (Cartel and Other Matters) Amendment Bill is expected to bring further clarification to the competition framework. The Government recently announced that a review of the Commerce Act in response to the matters raised by the Productivity Commission would be undertaken.

3.154. Findings of the Productivity Commission's study also showed that given the importance of services inputs in New Zealand's domestic production (40% more than salary costs in 2010-11), the weaker competition in the services sector may have contributed to higher prices in the economy.

3.4.4 State trading, state-owned enterprises

3.155. According to New Zealand's latest notification pursuant to the provisions of Article XVII:4(a) of the GATT 1994 and Paragraph 1 of the Understanding on the Interpretation of Article XVII, submitted to the WTO in 2014, Zespri Group Limited is the only state-trading enterprise (STE) in operation in New Zealand.[30] Zespri has special authority to export kiwifruit so as to obtain the best commercial return from world markets for producers in New Zealand.

3.156. Under the Kiwifruit Export Regulations 1999, private traders can engage in exporting kiwifruit to markets other than Australia in collaboration with Zespri, subject to authorization by Kiwifruit New Zealand, an independent regulatory body. There is no need for private traders to seek for such authorization to export kiwifruit to Australia.

3.157. The Government maintains equity shares in some 49 enterprises in different economic sectors. According to the authorities, government-owned enterprises generally operate in

[28] Online information. Viewed at: http://www.mergerdata.net/doc/gmci2014/GMCI2014.pdf.
[29] New Zealand Productivity Commission (2014).
[30] WTO document G/STR/N/15/NZL, 22 May 2014.

competitive markets. The Treasury reviews the performance of these government-owned enterprises that may have full or partial commercial objectives. Collectively, these enterprises employ over 40,000 people and, as at 30 June 2013, held assets of around NZ$125 billion.[31]

3.4.5 Government procurement

3.4.5.1 Policy and regulatory framework

3.158. Spending on New Zealand's government procurement contracts amounted to some 19% of GDP in 2012. Government spending on goods and services was estimated at some NZ$39 billion in 2014.[32]

3.159. The conduct of government procurement is based on a three-tier policy framework including the overarching Principles of Government Procurement, the Government Rules of Sourcing and relevant good practice guidance. The current version of the Principles of Government Procurement (the Principles), which was approved by the Cabinet in July 2012, sets out five fundamental principles that all government agencies are expected to follow in organizing their procurements: (i) plan and manage for greater results; (ii) be fair to all suppliers; (iii) get the right supplier; (iv) get the best deal for everyone; and (v) play by the rules.

3.160. The Government Rules of Sourcing (the Rules), which came into effect on 1 October 2013 and replaced the 2006 Mandatory Rules for Procurement by Departments, represent the Government's minimum standards of good practice for procurement planning, approaching the market and contracting. They were amended in May 2014 to implement the Cabinet's decision to rescind Rule 67, which required agencies to source cleaning services only from members of the Building Services Contractors Association.

3.161. The Rules focus mainly on the 'sourcing' part of the procurement life cycle. This covers procurement planning, market research, approaching the market, evaluating responses, negotiating and awarding the contract.

3.162. The application of the Rules is mandatory for Public Service departments, as well as for New Zealand Police and New Zealand Defence Forces; and these entities may be audited for compliance with the Rules (e.g. by the Auditor-General under the Public Audit Act 2001).[33] On 1 February 2015, under a government directive issued by the Ministers of State Services and Finance, the Rules became mandatory for all Crown entities excluding school boards of trustees. Crown Research Institutes covered by this directive must have regard to the Rules but cannot be bound by them.[34]

3.163. The Rules intend to support agencies to get the best value for money from the procurement process. They encourage early market engagement and provide a flexible framework which allows for innovative approaches such as competitive dialogue and e-procurement.

3.164. In addition to the Principles and the Rules, there are various guidelines published to support good procurement. The most important one is the Procurement Guidance for Public Entities (2008 Guidance) which was issued by the Auditor-General and applies to all public sector entities. Non-obligatory in nature, the 2008 Guidance outlines the principles, considerations, and processes that should help public entities to meet ethical standards and act with integrity when procuring goods or services. Some sectors have also published their guidelines regarding their specific types of procurement.

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[31] Treasury online information. Viewed at: http://www.treasury.govt.nz/commercial/publications/annual-portfolio-report/2013/.

[32] According to the authorities, given the decentralized nature of the government procurement system, it may be challenging to provide accurate figures on related spending.

[33] Public Service departments are the core departments and ministries listed in the State Sector Act 1988, Schedule 1.

[34] The following entities are covered by the directive: Crown agents, independent Crown entities, autonomous Crown entities, Crown entity companies, Public Finance Act Schedule 4A Companies, and Crown Research Institutes.

3.165. New Zealand's government procurement policy is administered by the Ministry of Business, Innovation and Employment (MBIE) to lift the capability and performance of agencies undertaking procurement, create an environment where New Zealand businesses can succeed; and unlock cost savings. Except where collaborative procurement has been undertaken, each individual government entity is responsible and accountable for its own procurement.

3.166. The policy promotes open competitive procurement practices, and no preferential treatment is accorded to domestic suppliers. However, according to the authorities, the MBIE works alongside NZTE to support New Zealand businesses to become more competitive in international markets and improve their ability to tender for government work.

3.167. All information pertaining to government procurement policy in New Zealand is comprehensively published and regularly updated online (www.procurement.govt.nz) by the MBIE.

3.4.5.2 Procedures

3.168. The procedures of government procurement are set out in the Rules, which, in general, apply to:

- Procurement of goods or services or refurbishment works, or a combination of goods or services or refurbishment works, when the maximum total estimated value of the procurement equals or exceeds the value threshold of NZ$100,000 (excluding GST).

- Procurement of goods or services or works for new construction works, when the maximum total estimated value of the procurement equals or exceeds the value threshold of NZ$10 million (excluding GST).

3.169. Above these thresholds the Rules require open competitive procurement processes, which may be one-step (requests for quote or requests for tender) or multi-step (registration of interest followed by a shortlisting, and then a Request for Proposal or Request for Tender). An agency must openly advertise on the Government Electronic Tenders Service (GETS) if the maximum total estimated value of the procurement meets or exceeds the relevant value threshold, and if there is no exemption from open advertising.

3.170. GETS is a free website-based service operated by the MBIE to publish information about the New Zealand Government contract opportunities. It is accessible to all interested suppliers, both domestic and international. Under the Rules, procuring entities must publish Annual Procurement Plans (APP); these plans provide suppliers with forecast procurement opportunities.

3.171. In some limited circumstances agencies may be exempt from the requirement to openly advertise. A closed competitive (a Request for Quote, Request for Tender or Request for Proposal restricted to a limited number of known suppliers) and/or direct source (a closed Request for Proposal or Request for Tender restricted to a known supplier) procurement may be followed.

3.172. Under Rule 15 (*Exemptions from Open Advertising)*, an agency may opt to use a closed competitive process or direct source in cases of, *inter alia*: emergency; procurement following an unsuccessful open tender; if the goods, services or works can only be supplied by one supplier and there is no reasonable alternative or substitute because of objective reasons, including intellectual property, work of art; or where an agency has established a panel of suppliers through an open, competitive process.

3.173. The Rules prohibit exempting procurement from open advertising to: (i) avoid competition; (ii) protect domestic suppliers; or (iii) discriminate against any domestic or international supplier.

3.174. Agencies may define preconditions to eliminate suppliers who do not have the minimum capacity or capability to meet the contract requirements. Under the Rules, these conditions must be published in the notice of procurement; and the screening criteria must be limited to legal, financial, commercial/operational and technical capacity and not make any *de jure* discrimination between domestic and foreign suppliers.

3.175. The final decision by procuring agencies must be based on the best value for money, which is not necessarily the cheapest price, at the time of the purchase. Procuring agencies are mandated to publish all evaluation criteria they will use to assess responses in the Notice of Procurement. Furthermore, when listing the evaluation criteria it is mandatory, unless price is the only criterion, to indicate the relative importance of each criterion.

3.176. Aggrieved suppliers can take their protests to the procuring agency; the agency must consider and respond promptly and impartially to complaints and resolve the conflict. If still dissatisfied, the supplier can consider having recourse to mediation; asking for an independent audit review; requesting investigation by the Auditor-General, by an Ombudsman, or by the State Services Commission; or seeking a resolution in court. MBIE also manages a supplier complaints process. While it cannot overturn a procurement decision it can review whether or not the agency has followed government procurement policy in making its decision. According to the authorities, 19 complaints have been received by MBIE during the review period and two complaints have resulted in modifications to procurement processes or outcomes.

3.4.5.3 Foreign participation

3.177. An important development, during the review period, was agreement to New Zealand's terms of accession to the revised WTO Agreement on Government Procurement (GPA) on 29 October 2014, following the submission of its final offer. Upon ratification by New Zealand, the GPA is set to apply to procurement of goods, services, and construction works by a list of entities from central and sub-central government agencies, as well as other entities such as state-owned enterprises (SOEs). Ratification of New Zealand’s accession to the GPA entails a Parliamentary treaty examination process that is currently under way. The Agreement will enter into force for New Zealand on the thirtieth day following the deposit of New Zealand’s instrument of accession to the Director-General of the WTO.

3.178. Upon completion of its accession, New Zealand's initiative in joining the GPA will provide its suppliers with access to markets that have been valued at US$1.7 trillion annually.[35]

3.179. New Zealand's other international commitments with respect to government procurement include: the Australia-New Zealand Government Procurement Agreement (ANZGPA), which is a comprehensive agreement on government procurement; the Closer Economic Partnership Agreement with Singapore (Singapore CEP); the Trans-Pacific Strategic Economic Partnership Agreement (Trans-Pacific Strategic EPA), the New Zealand-Hong Kong China Closer Economic Partnership Agreement, and the Economic Cooperation Agreement with Chinese Taipei. The Government Rules of Sourcing regulate New Zealand's obligations under these agreements.

3.180. Thresholds for the application of these agreements are set in Special Drawing Rights (SDR) and are subject to periodic conversion into domestic currencies; revision of the thresholds can take place only by renegotiation by the parties to each respective agreement.

3.181. The ANZGPA and the Singapore CEP aim to establish a single procurement market between the parties. There is no threshold for application of the ANZGPA. A single threshold of SDR 50,000 is established for the application of the Singapore CEP. A threshold of SDR 130,000 applies for supply and service contracts, and SDR 5,000,000 for construction contract in the case of New Zealand-Hong Kong, China Closer Economic Partnership Agreement; and in the case of the Trans-Pacific Strategic EPA, a threshold of SDR 50,000 applies for supply and service contracts, and SDR 5,000,000 for construction contracts.

3.4.6 Intellectual property rights

3.182. The general objective of New Zealand's policy on intellectual property rights (IPRs) is to strike a careful balance between the interests of IPR owners and the interests of society as a whole.[36]

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[35] The total market access commitments under the GPA 1994 were US$1.6 trillion. The revised GPA has expanded the market access opportunities under the Agreement by US$80-100 billion annually, bringing the total coverage of the Agreement to US$1.7 trillion annually (WTO, 2014).

3.183. The Ministry of Business, Innovation and Employment (MBIE) is responsible for policy relating to the protection of intellectual property in New Zealand, while the Intellectual Property Office of New Zealand (IPONZ) is the government agency responsible for the granting of patents and the registration of trademarks and designs.[37] The Plant Variety Rights Office, which is part of IPONZ, is in charge of applications for plant variety protection. There is no system for copyright registration in New Zealand; copyright comes into existence every time an original work is created, published and performed.

3.184. Intellectual property rights are of considerable economic importance to New Zealand. Trade in IPR-intensive goods (IT products[38], pharmaceuticals[39], beverages[40] and copyright-based products[41]) grew by 36% from 2009 to 2013, with exports growing by 43%. Imports of IPR-intensive goods made up 13% of all goods imports over the review period, and 6% of exports. Wine exports accounted for 44% of total IPR-intensive products exports. Registrations of IPRs remain significant in New Zealand (Table 3.12).

Table 3.12 IPR registrations in New Zealand, 2009-13

IPR types	2009	2010	2011	2012	2013
Designs	1,083	1,047	990	1,151	1,042
Patents	3,413	4,350	4,709	6,153	4,902
Trademarks by class	32,791	27,914	26,345	27,586	29,794
Plant variety rights	105	112	104	119	101

Source: Information provided by the authorities.

3.185. Intellectual property rights in New Zealand are protected by a range of laws (Table 3.13). However, there is no stand-alone legislation for protection of geographic indications and undisclosed information, which are protected by other existing legislation.

3.186. A new Patents Act 2013 came into force in September 2014 and replaced the Patents Act 1953. The new Act brings the New Zealand patent law into closer alignment with New Zealand's trading partners. Several changes were made within the scope of patents registration, including stricter examination of applications and subject matter exclusions. It excludes from patentability certain inventions such as: inventions that are contrary to public order or morality, and 'computer software as such', still allowing for patenting of embedded software.

3.187. Moreover, since 2009 amendments have been made to the main existing intellectual property laws. In 2011, the Copyright (infringing sharing file) Amendment Act brought a significant change to the Copyright Act 1994 by providing rights owners with a special regime for taking enforcement action against people who infringe copyright through file sharing. The Designs Amendment Act 2010 provides procedures for restoration of lapsed copyright in registered designs and lapsed design applications.

3.188. The Trade Marks Act 2002 was amended several times during the review period. The most significant amendment was made in 2011. It prescribed that all trademarks must be classified according to the most recent edition of the Nice classification system; enabled New Zealand to accede to the Nice Agreement and the Madrid Protocol and ratified the Singapore Treaty on the Law of Trademarks. It also established the Intellectual Property Office of New Zealand (IPONZ) as New Zealand's office of origin and provided for regulations to be made in regards to international registrations. The amendment also revised provisions regarding parallel importing, suspension of border protection notices, and removal of licensees on the Trade Marks Register.

[36] MBIE online information. Viewed at: http://www.med.govt.nz/business/intellectual-property/intellectual-property-rights.

[37] IPONZ online information. Viewed at: http://www.iponz.govt.nz/cms/iponz.

[38] Items in Attachment A of the Ministerial Declaration on Trade in IT Products, with no adjustment for partial coverage of sub-headings, HS 8524.31 and 8524.91 excluded.

[39] HS 30 (pharmaceutical products); these figures include trade in generic products.

[40] HS 22 (beverages, spirits and vinegar) excluding 2209 (vinegar).

[41] HS 49 (books and other printed products); 3706 (motion-picture films); 3705 (other developed films); and 8524 (records, CDs, software, and other recorded media).

3.189. The Haka Ka Mate Attribution Act 2014 came into force in April 2014. The Act provides a right of attribution to Māori tribe Ngāti Toa in relation to the haka *Ka Mate*.[42] Any person who uses the words or associated actions and choreography of the *Ka Mate* in any publication for commercial purposes, any communication to the public, or in any film that is shown or issued to the public must make an attribution statement. The statement must say that Te Rauparaha was the composer of *Ka Mate* and a chief of Ngāti Toa Rangatira.

3.190. Protection for geographical indications is provided through the tort of passing off, the Fair Trading Act 1986, and the Trade Marks Act 2002. The Geographical Indications (Wine and Spirits) Registration Act 2006 establishes a registration system for wine and spirit geographical indications but this Act is not yet in force. According to the authorities, the Government has taken action in order to bring the Act into force in 2016.

Table 3.13 Summary of the protection of intellectual property rights, 2014

Main legislation	Coverage	Duration	Selected exclusions and limitations
Patents			
Patents Act 2013	Any invention that compared with the prior art base is novel, involves an inventive step, and has a specific, credible, and substantial utility	20 years from patent date	An invention is not a patentable invention if its commercial exploitation is contrary to public order or morality. The following are not patentable inventions: scientific theories or mathematical formulae; art works and literature; business schemes or ways of presenting information; computer programs as such; methods of human medical treatment; diagnostic methods practised on humans; human beings and processes for their generation; processes for cloning humans; using human embryos for industrial or commercial purposes; plant varieties as provided in the Plant Variety Rights Act 1987.
New plant varieties			
Plant Variety Rights Act 1987	Any plant varieties that are new, distinct, stable, and homogeneous	20 years from the date of grant of plant variety right (23 years - woody plants and their woodstock)	Non-commercial purposes, human consumption or other non-reproductive purposes, and plant-breeding purposes.
Trademarks			
Trade Marks Act 2002	Any sign capable of being represented graphically, and distinguishing the goods or services of one person from those of another person	10 years from date of registration, renewable in 10-year intervals	Non-distinctive trademarks are not registrable: signs that are not trademarks; trademarks that have no distinctive character; trademarks that consist only of signs or indications that may serve, in trade, to designate the kind, quality, quantity, intended purpose, value, geographical origin, time of production of goods or of rendering of services, or other characteristics of goods or services; trademarks that consist only of signs or indications that have become customary in the current language or in the bona fide and established practices of trade
Industrial design			
Designs Act 1953	Any new or original design that has not been published in New Zealand before the filing date; consists of features of shape, configuration, pattern or ornament applied to an article by any	5 years from date of registration, extendable for two further periods of 5 years	Non-registrable designs: methods or principles of construction; designs that are purely functional; articles which are primarily literary or artistic in character; designs the use of which would be contrary to law or morality.

[42] A haka is an ancient Māori war dance traditionally used on the battlefield and during ceremonies.

Main legislation	Coverage	Duration	Selected exclusions and limitations
	industrial process or means, being features that appeal to and are judged solely by the eye		
Copyrights and related rights			
Copyright Act 1994	Original literary, dramatic, musical, or artistic works; sound recordings; films; communication works; typographical arrangements of published editions	Literary, dramatic, musical, or artistic work: author's life and 50 years from end of calendar year in which the author dies. Computer-generated works: 50 years from end of calendar year in which work is made. Sound recording or film: 50 years from end of calendar year in which work is made or made available to public by authorized act, whichever is later. Communication work: 50 years from end of calendar year in which is first communicated to public. Typographical arrangement of a published edition – 25 years from end of calendar year in which edition is first published. Crown copyright – 100 years from end of calendar year in which work is made. Artistic works industrially applied: 16 years from when work is applied. Artistic craftsmanship industrially applied: 25 years from when work is applied. Performance: 50 years from end of calendar year in which performance takes place. Moral rights are not assignable.	Copyright in a work is not infringed by, *inter alia*: incidental copying of the work in artistic work, sound recording, film or communication work; fair dealing with a work for the purposes of criticism, review, and news reporting; fair dealing with a work for the purposes of research or private study; transient reproduction of work; copying for educational purposes; copying by librarians of parts of published works and articles in periodicals; communication of an archived work in accordance with Section 29C of the Television New Zealand Act 2003; anything done for the purposes of parliamentary or judicial proceedings or reporting them.
Geographical indications			
Fair Trading Act 1986, Common law tort of "passing off", and Trade Marks Act			

Main legislation	Coverage	Duration	Selected exclusions and limitations
2002			
Layout-designs (topographies) of integrated circuits			
Layout Designs Act 1994	Any original three-dimensional disposition, however expressed, of the elements, at least one of which is an active element, and of some or all of the interconnections, of an integrated circuit; and includes such a three-dimensional disposition prepared for an integrated circuit intended for manufacture	10 years after the calendar year in which first commercially exploited if it happened within 5 calendar years of being made. Other cases - 15 years after calendar year in which was made.	Not considered infringements, *inter alia*: innocent commercial exploitation; copying for private use, copying for research or teaching purposes, copying for evaluation or analysis.
Undisclosed information			
Crimes Act 1961	Any information that is, or has the potential to be, used industrially or commercially; and is not generally available in industrial or commercial use; and has economic value or potential economic value to the possessor of the information; and is the subject of all reasonable efforts to preserve its secrecy.		
Medicines Act 1981 and the Agricultural Chemicals and Veterinary Medicines Act 1997	These Acts provide for protection for data submitted in support of an application for approval of a new pharmaceutical or agricultural chemical.	5 Years	

Source: Information provided by the authorities.

3.191. The Copyright Act allows for parallel importing of non-infringing copies of a work into New Zealand, subject to certain exceptions in relation to films produced for cinematic release, for nine months from the date that the film is first made available to the public (subject to a private use exemption). Since October 2013, the Copyright (Parallel Importing of Films) Amendment Act has reduced the ban to five months from the date that the film is first made available to the public and provides that the ban will remain in effect for three years until 31 October 2016. No import permit is required for parallel imports.

3.192. Regarding compulsory licensing, at any time after the expiration of three years from the date of the grant of a patent or four years from the date of filing a patent, whichever is later, any interested person may apply to the High Court for the grant of a licence under the patent, provided that a market for the patented invention is not being supplied, or is not being supplied on reasonable terms in New Zealand. There have been no compulsory licences granted for patents since 2009. The issue of compulsory licensing for patents has not been the subject of significant debate in New Zealand.

3.193. New Zealand has been a WIPO member since 1984 and is signatory to ten WIPO-administered treaties.[43] Since its previous Review, New Zealand has ratified three of them, i.e. the Protocol Relating to the Madrid Agreement Concerning the International Registration of Marks and the Singapore Treaty on the Law of Trademarks in 2012, and the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks in 2013. New Zealand is not party to the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

3.194. IPRs provisions are included in most of the FTAs New Zealand participates in. These include the New Zealand-Hong Kong, China Closer Economic Partnership; the New Zealand-Malaysia Free Trade Agreement; the ASEAN, Australia and New Zealand Free Trade Agreement; the New Zealand-China Free Trade Agreement; the Trans-Pacific Strategic Economic Partnership Agreement (P4); the New Zealand-Thailand Closer Economic Partnership Agreement; the Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen and Matsu on Economic Cooperation (ANZTEC); and the Agreement between New Zealand and Singapore on a Closer Economic Partnership. It has also concluded and signed, but not yet ratified the Anti-Counterfeiting Trade Agreement (ACTA), which is aimed at establishing a comprehensive international framework that will assist Parties to the agreement in their efforts to effectively combat the infringement of intellectual property rights.

3.195. New Zealand notified to the WTO its Checklist of Issues on Enforcement in 1997. Various courts have jurisdiction over IPR infringement cases. These include District Courts, the High Court, the Court of Appeal, and the Supreme Court.

3.196. Civil or administrative or judicial action again IPRs infringement may be initiated by persons with a direct interest, such as the registered proprietor or licensee in the case of patents, trademarks and designs, or as the IPRs owner in the case of copyright.

3.197. Aggrieved IPRs holders may lodge notices with the chief executive of the NZCS under the Trade Marks Act 2002 and the Copyright Act 1994. The NZCS is responsible for intercepting imported goods subject to those notices, identifying whether a notice applies and, if so, initiating an investigation that involves liaison with importers and the owners or rights holders - generally through their legal representatives. To avoid civil litigation at the investigative stage, an importer may forfeit the infringing goods to the Crown for disposal. The NZCS may also criminally prosecute importers of IPR goods where it can be shown the importer had knowledge that infringing signs had been applied to the goods. According to the authorities, to date, the NZCS has not started any criminal legal proceedings, as civil proceedings by the rights holders have proved effective.

3.198. Civil remedies for infringement include injunctions, and damages or account of profits. Criminal penalties apply for copyright piracy and trademark counterfeiting and include a fine of up to NZ$150,000 or up to five years imprisonment. The courts may also order the disposal of infringing goods, implements and materials.

[43] WIPO online information. Viewed at: http://www.wipo.int/treaties/en/ShowResults.jsp?country_id=134C.

4 TRADE POLICIES BY SECTOR

4.1 Overview

4.1. The primary sector plays a key role in New Zealand's economy. Agriculture, forestry and fishing accounted for 6.9% of GDP and 6.8% of total employment in 2011/12. Benefitting from high commodity prices during most of the review period, New Zealand's agricultural exports (in particular, dairy, meat, and wool) performed strongly and contributed to almost 70% of total merchandise exports in 2014.

4.2. New Zealand's agriculture is a highly-productive, market-oriented sector, with minimal government intervention. Tariffs on agricultural products are among the lowest worldwide and no imports are subject to quotas or licensing. Domestic support is limited to expenditure for biosecurity border controls for pest and disease and relief against climate disasters. New Zealand's producer support estimate (PSE) was less than 1% in 2010-13 (the lowest among OECD members) and its Aggregate Measure of Support (AMS) was zero during the review years. The former statutory marketing boards have been replaced by producer-levy-funded industry organizations. Nevertheless, a state-trading enterprise still maintains a quasi-monopoly on exports of kiwifruit to markets other than Australia. The dairy industry has been the object of further reforms aimed at ensuring transparency, efficiency and access to raw milk by new market entrants. The exclusive export licences held by the Fonterra Co-operative Group, New Zealand's major dairy exporter, were phased-out at end-2010. Exports of some agricultural products are subject to tariff-rate quotas imposed by some of New Zealand's trading partners.

4.3. Commercial fishing is a thriving export subsector, with 90% of all catch being exported. However, there are restrictions on foreign participation in the sector. Under the Fisheries Act 1996, consent is required for any overseas investments in fishing quota; relevant criteria include that the granting of consent is in the national interest. Overseas persons may not have a 25% or more ownership or control interest in fishing quota without prior Ministerial consent. The Fisheries (Foreign Charter Vessels and other matters) Amendment Act 2014 prohibits foreign-flagged charter fishing vessels from fishing in New Zealand waters from 1 May 2016.

4.4. In the energy sector, state participation remains strong, although measures have been introduced to open it up further to private investors. Three partially state-owned companies account for nearly two-thirds of all electricity generated, while transmission is in the hands of another state-owned enterprise. Distribution companies have different ownership structures ranging from publicly listed companies to community trusts. Electricity is traded in a liberalized market, with no regulation on wholesale or retail prices. The transmission company and the non-community owned distribution firms are subject to price-quality control. The Electricity Industry Act 2010 created an independent regulator and relaxed ownership and corporate restrictions between distribution, retail and generation companies. In 2013 and 2014, the Government sold 49% of its stake in the three largest generators. Changes to the petroleum regulatory regime were made in 2013 to attract investments, including a streamlined exploration permit procedure; a new approach to allocate permits based on competitive tenders; and changes to the royalty regime.

4.5. Manufacturing remains an important contributor to the economy, although its shares in GDP and employment declined over the review period (to 12.1% and 11.3% in 2011/12, respectively). While there has been some diversification towards higher value-added, knowledge-intensive subsectors (e.g. niche electronic goods, new materials and software), food manufacturing and other resource-based industries remain the largest components of manufacturing output. The share of manufactures (excluding food) in total merchandise exports fell from 25.6% in 2009 to 19.9% in 2014. The sector receives little import protection; the average applied MFN tariff is 2.5% (2014), but tariffs are higher (some reaching 8.9%) in the textiles, clothing and leather industries. Over the last few years, the manufacturing industry has faced challenging conditions, including weak domestic and global demand, volatility in world food prices, an appreciated exchange rate, shortage of skills and insufficient investment in R&D. The Government has put in place several programmes to assist the business sector (although not specifically targeted to industry), mainly in the form of financial support, technical advice and R&D funding.

4.6. Services are the leading sector of New Zealand's economy. The share of services in current GDP increased slightly since the last Review to 69.7% in 2011/12, and their contribution to total employment rose to around 73%. The services trade balance showed a surplus over the review period, with services exports (mainly travel services and air transport) accounting for about 25% of total exports of goods and services. By international standards, New Zealand's services regime has low barriers to trade and investment, although there are a few restrictions on FDI in the telecommunications and transport sectors, and competition levels are less intense in certain subsectors. New Zealand has undertaken commitments in 90 of the 155 sectors under the General Agreement on Trade in Services (GATS).

4.7. New Zealand's financial system weathered the 2008-09 global financial crisis relatively well and remains sound. Over the review years, regulatory changes strengthened the prudential framework for banks and other financial institutions. However, highly indebted household and farm sectors and heavy reliance on foreign funding remain key challenges for the financial sector. Macro-prudential measures, including limits on high loan-to-value residential mortgage lending, have been implemented to address such challenges and increase the system's resilience. Banks are well capitalized and comfortably meet their regulatory requirements, including the Basel III capital adequacy thresholds that took effect in 2013. The banking sector is characterized by a high level of foreign ownership. The regulatory powers of the Reserve Bank of New Zealand have been extended to cover non-bank deposit-takers and insurance companies and new legislation has been passed to regulate both types of institutions. The Insurance (Prudential Supervision) Act 2010 required all insurers conducting business in New Zealand to be fully licensed by September 2013. The insurance sector was hard hit by the Canterbury earthquakes (2010 and 2011), but has managed to meet claims through reinsurance and capital provided by foreign parent companies.

4.8. The telecommunications sector has seen considerable regulatory changes following the 2008 operational separation of the incumbent operator and its structural demerger in 2011. These changes have allowed the market to expand rapidly and investment in the sector has increased. Internet broadband uptake has grown fast but certain prices remain relatively high by OECD standards. The Government is implementing its initiative to roll-out the ultra-fast-broadband fibre network to 75% of the population by 2020. The regulatory framework for telecommunications is under review, including with respect to wholesale pricing mechanisms for access to copper and fibre networks. There are no licensing requirements for entry into the market and control over retail prices is minimal. Foreign investment in private telecommunication firms is subject to the generic provisions of the Overseas Investment Act 2005. A cap of 49.9% of total voting shares applies to any overseas investment in the former incumbent wholesale operator (Chorus) without prior written approval of the Crown.

4.9. New Zealand has a liberal international air transport policy as it seeks to improve its connectivity to the rest of the world. It has air services relationships with over 60 partners, many of which under open skies agreements. There are over 40 international airlines (nearly half of which provide services on a code-share basis) providing cargo and passenger services to and from New Zealand. The national carrier, Air New Zealand, is 52.3% owned by the Central Government. No overseas person may hold 10% or more of the voting rights in Air New Zealand without prior written consent of the Crown. Five airports receive scheduled international air services; the largest are Auckland, Wellington, and Christchurch which are managed by autonomous companies with both private and public ownership and subject to information disclosure requirements under the Commerce Act. Regional airports are managed by either companies owned by local authorities or joint ventures between local authorities and the Crown. A review of relevant legislation, including competition issues, is being conducted and may lead to changes in the regulation of airports.

4.10. Virtually all New Zealand overseas trade, by volume, is moved by sea, with some 30 foreign shipping companies calling at the country's ports. Shipping policy aims to ensure that New Zealand exporters and shippers have access to carriers on competitive terms. The Shipping Act 1987 contains provisions for monitoring carriers who incur in unfair practices, but it also provides for an exemption allowing price-fixing in international shipping agreements. Legislation currently before Parliament seeks to apply the Commerce Act to international shipping (thereby eliminating such exemption). Foreign ships passing through New Zealand to unload imports or load exports are permitted to carry costal cargo, as are overseas-registered ships operated or controlled by a New Zealand entity, provided the crew is subject to New Zealand law. Most of the 14 commercial seaports are managed by port companies owned by local authorities. Increasing port productivity so as to reduce trading costs for New Zealand companies is an ongoing interest. Tourism is an important generator of foreign exchange earnings and jobs. There is no tourism legislation, but the sector is supported by a robust institutional framework and significant public investment.

4.2 Agriculture, Forestry, and Fisheries

4.2.1 Main features

4.11. Agriculture remains a key sector of the New Zealand economy. Together with forestry and fishing, it contributed 6.9% to GDP and 6.8% to total employment in 2011/12 (Table 1.2). New Zealand is a net-exporter of agro-food products and a leading player in global markets for dairy, meat, and wool. New Zealand's agricultural exports benefitted from high international commodity prices during most of the review period[1], and accounted for 69.6% of total merchandise exports in 2014 (compared to 61.8% in 2009). The share of agricultural products in total imports was 11.6% in 2014 (Tables A1.1 and A1.2).

4.12. New Zealand's agricultural and other primary exports have seen strong performance in recent years (Table 4.1), driven mostly by growing demand from China. In the year ending in June 2014, export prices for New Zealand products increased in virtually all sectors, while generally good weather conditions helped boost production, particularly in the dairy and forestry industries.[2] Dairy makes up 47% of primary exports value, followed by meat, wool, logs and horticultural products. Higher export prices have also meant that New Zealand's terms of trade have risen to almost historic levels in recent years.[3]

Table 4.1 Agriculture, fisheries and forestry export values, 2009-14

(NZ$ million)

Year to 30 June	2009	2010	2011	2012	2013	2014
Agriculture	23,868	22,230	25,868	26,535	26,491	31,734
Dairy	11,435	10,565	13,198	13,659	13,441	18,068
Meat and wool	7,757	7,053	7,773	7,716	7,725	8,093
Horticulture	3,261	3,208	3,369	3,547	3,536	3,786
Other[a]	1,415	1,405	1,528	1,614	1,789	1,787
Fisheries	1,452	1,398	1,547	1,500	1,466	1,427
Forestry	3,566	3,863	4,527	4,273	4,479	5,144
Total	28,886	27,490	31,942	32,308	32,436	38,305

a Including live animals, arable, other food products and other agricultural products.

Source: Ministry for Primary Industries online information.

4.13. New Zealand's agriculture is a market-oriented, highly-productive sector, with minimal government intervention. Following the liberalization of agriculture in the 1980s and 1990s, virtually all subsectors are now deregulated and the old statutory marketing boards have been dismantled and replaced by industry organizations established under the Commodity Levy Act 1990. The reforms have contributed to making agriculture one of the most productive sectors of the economy. According to estimates of the Ministry for Primary Industries, overall agriculture productivity grew by an annual compound rate of 3.3% from 1984 to 2007, more than the rest of the economy's annual compound productivity rate of 1%.[4]

4.14. Since the last Review, agriculture has undergone some further reforms. Among the main developments is the restructuring of the dairy industry. Institutionally, the main change was the merger of the Ministry of Agriculture and Forestry (MAF) and the Ministry of Fisheries into the new

[1] It should be noted that commodity prices were volatile over the review period and began declining in mid-2014. The authorities have indicated that prices for New Zealand's primary exports are set by global markets, which are often negatively affected by protectionist policies applied to production and trade in primary products in many markets.

[2] Ministry for Primary Industries (2014).

[3] In the first quarter of 2014, the merchandise terms of trade rose 1.8%, the fifth consecutive quarterly rise, which lifted the terms of trade to their highest level since September 1973. Statistics New Zealand online information. Viewed at: http://www.stats.govt.nz.

[4] Ministry for Primary Industries online information. Viewed at: http://www.mpi.govt.nz/agriculture.

Ministry for Primary Industries (MPI), as of April 2012.[5] MPI's functions include advising the Government on: domestic and international agricultural and fisheries policy; the performance of the sectors; the sustainable use of natural resources; international trade; innovation and science policy issues relevant to the sector; and food safety and biosecurity. Moreover, MPI maintains the regulatory systems around biosecurity, animal and plant health, and food safety. The Ministry is also responsible for the implementation of the Emissions Trading Scheme for agriculture, and administers the Primary Growth Partnership, a government-industry initiative to invest in research and innovation to foster growth and sustainability of the primary, forestry and food sectors.

4.2.2 Border measures

4.2.2.1 Import measures

4.15. New Zealand has some of the lowest tariffs on agricultural products worldwide. In 2014, the average applied MFN tariff on agriculture (WTO definition) was 1.7%, lower than the 2.5% average for non-agricultural goods and also lower than the overall applied MFN tariff averaging 2.3%. Under its WTO Schedule of Commitments (Section I-B), New Zealand may apply tariff rate quotas on imports of certain agricultural products (apples, pears, and hop cones), it does not, however, administer these quotas because the applied MFN tariff on these products is zero.[6]

4.16. Import health standards (IHS), drafted under the Biosecurity Act 1993, are required for all risk goods before they can be brought into New Zealand. Certain products such as poultry table eggs and uncooked chicken are currently not being imported because they do not meet the required sanitary standards. Risk analysis is being undertaken in order to develop import conditions for honey from requesting countries (section 3.2.8).

4.17. Under the Commodity Levies Act 1990, industry organizations can collect producer levies on commodities to fund market research, quality assurance and plant and animal health protection. There are currently 30 commodity levy orders in force. With a very few exceptions, levies may not be spent on commercial and trading activities.[7] Levies on imports are permitted provided that the rate is equal or less than that charged on the domestic product and that the levy order is not contrary to New Zealand's international obligations. Industry organizations must obtain a new mandate to collect levies every six years through a referendum among producers.

4.2.2.2 Export measures

4.18. New Zealand administers exports licences for some agricultural products such as beef and dairy in order to accommodate tariff-quotas imposed by some trading partners. Export licences are required to export certain dairy products to the United States, the European Union, Japan and the Dominican Republic. In the case of meat, the New Zealand Meat Board is responsible for allocating export quotas for high quality beef, sheep, and goat meat for the EU market, and for beef and veal for the U.S. market. Exporters of meat products to any market, including quota markets, must be registered under the Meat Board Act 2004. The Meat Board keeps this registry and issues quota certificates for relevant quota markets.

4.19. Until recently, the Fonterra Co-operative Group, New Zealand's main exporter of dairy products, had exclusive licences to export to designated restricted markets (i.e. where countries impose import restrictions). By March 2010, after a two-year phase-out period, all Fonterra's exclusive licences expired, meaning that since 2011 there are no restrictions on who can export dairy products to designated markets. The MPI allocates licences for the export of certain volumes of dairy products to designated markets; allocation is based on the proportion of milk solids collected by each company in relation to the total import volume of the preferential tariff quota.

4.20. The kiwifruit industry is the only sector where export management measures remain. Under the Kiwifruit Industry Restructuring Act (KIRA) 1999 and the Kiwifruit Export Regulations 1999, the regulator, Kiwifruit New Zealand (KNZ), has given the Zespri Group Ltd. an automatic but not

[5] Previously, in July 2010, the New Zealand Food Safety Authority had been amalgamated with the Ministry of Agriculture and Forestry.
[6] WTO document G/AG/N/NZL/84, 19 May 2014.
[7] During the review period, the Commodity Levies Act was amended to allow for funding for a wheat producers' mutual insurance scheme.

sole right to export kiwifruit to all markets except Australia.[8] All other traders wishing to export kiwifruit to markets other than Australia must get prior approval from KNZ in order to export the fruit. This gives Zespri a quasi-monopoly on exports to markets other than Australia. Traders can export kiwifruit to Australia without prior approval from KNZ and independently from Zespri. No significant changes were made to the KIRA or the Regulations during the review period. Between 2009/10 and 2012/13, Zespri accounted for more than 97% of total exports of kiwifruit each year.

4.21. The Horticulture Export Authority Act 1987 (HEA Act) provides a framework for cooperation between growers and exporters of horticultural produce through the development of export marketing strategies. Participation in the framework is voluntary, but participants must comply with the qualitative requirements set by the Horticulture Export Authority (HEA). A review of the HEA Act was carried out in early 2012; the amendments included: enabling industries to adopt more flexible and focused export marketing strategies by allowing multi-tier export licences with different fees; clarifying requirements and processes for industries to enter and exit the HEA framework; updating enforcement powers and penalties under the HEA Act; allowing the HEA to collect levies from producers groups; and modernizing and clarifying the provisions of the HEA Act.

4.22. New Zealand does not apply export subsidies for agricultural products.[9]

4.2.3 Domestic support

4.23. The level of domestic support for New Zealand's agricultural sector has remained consistently low since the liberalization reforms of the mid-1980s. The producer support estimate (PSE) was less than 1% in 2010-12, the lowest among OECD countries. Total support for agriculture was about 0.3% of GDP during the same period.[10] Domestic prices of virtually all agricultural products are aligned with international prices, except for poultry table eggs and uncooked chicken, where stringent sanitary measures have led to an absence of imports, resulting in domestic prices above world prices.[11] Support measures mostly consist of general services applying to all products, and producer specific budgetary support is only granted for pest and animal disease control and relief in the event of large-scale natural disasters. During the review years, New Zealand's total Aggregate Measure of Support (AMS) was zero.[12]

4.24. In June 2012, New Zealand notified the WTO Committee on Agriculture about official financial support granted to kiwifruit growers to contain the spread of the fruit disease Psa (pseudomonas syringae pv actinidiae) and help the industry recover.[13] In December 2012, Psa was declared a medium-scale biosecurity event, meaning that kiwifruit growers severely impacted by Psa would be eligible for Rural Assistance payments under the Primary Sector Recovery Policy. The payment covered essential living expenses for maximum of 12 months (excluding loss of income, livestock, land or other production factors). The eligibility period ended in December 2013 and given strict eligibility criteria only a very limited number of kiwifruit growers received payments.

4.2.4 Dairy industry restructuring

4.25. The dairy industry has continued to undergo reforms with the aim of ensuring transparency, efficiency and access of new entrants into the market, in particular given Fonterra Co-operative Group's still dominant role in the sector.[14] In 2009, Fonterra's shareholders voted to modify the Co-operative's capital structure to allow farmers to directly trade their shares among each other. Under the Trading Among Farmers (TAF) Order 2012, Fonterra no longer issues and redeems shares but rather shareholders buy and sell shares on the Fonterra Shareholders' Market (FSM). The FSM is a private market where only Fonterra Farmer Shareholders, Fonterra and a specially

[8] The Zespri Group Ltd. has been notified by New Zealand to the WTO as a state-trading enterprise. See WTO document G/STR/N/15/NZL, 22 May 2014.
[9] WTO document G/AG/N/NZL/85, 19 May 2014 (latest notification).
[10] OECD (2013a).
[11] For the period 2010-12, single commodity transfers, which reflect the difference between world and domestic prices, were 22% for poultry, 10% for egg, and zero for all other agricultural products (OECD, 2013a).
[12] WTO documents G/AG/N/NZL/69, 19 May 2011; G/AG/N/NZL/75/Rev.1, 28 September 2012; G/AG/N/NZL/81, 2 May 2013; and G/AG/NZL/86, 19 May 2014.
[13] WTO document G/AG/N/NZL/76, 5 July 2012.
[14] Fonterra Co-operative Group collects 87% of the milk produced in New Zealand. It is the world's largest diversified milk processing company and the top exporter of dairy products.

appointed market maker can trade. Outside investors who are not allowed to hold shares in Fonterra can, however, invest in the Fonterra Shareholders' Fund (FSF). The FSF gives investors access to the economic rights that they would have received if they were allowed to own a Fonterra share.[15] Fonterra launched its share trading scheme in November 2012.

4.26. The Dairy Industry Restructuring Act 2001 (DIRA)[16] was amended in 2010 to allow the Minister for Primary Industries to conduct auctions for determining the price and allocation of raw milk when demand exceeds supply. The auction mechanism has not been used to date. The Dairy Industry Restructuring Amendment Act 2012 introduced a milk price monitoring regime aimed at improving transparency in Fonterra's farm-gate milk price setting process and controlling whether Fonterra's farm-gate milk price is consistent with a price that would otherwise emerge in a competitive market for farmers' milk. The Commerce Commission is in charge of monitoring and reporting every year on Fonterra's milk price.

4.27. The Dairy Industry Restructuring (Raw Milk) Regulations 2001 were reviewed in 2011. A number of significant amendments were made resulting in the Dairy Industry Restructuring (Raw Milk) Regulations 2012. The Regulations' objectives are to facilitate entry of independent dairy processors into the farm-gate milk market (ensuring processors have access to raw milk) and support competition in the dairy product market. The Dairy Restructuring (New Sunset Provisions) Amendment Act 2011 raised the market share thresholds for independent processors that must be met.[17] If the thresholds are not met by June 2015, the Minister for Primary Industries must, in consultation with the Minister of Commerce, request a report on the state of competition in the dairy industry, which may result in a review of the DIRA. The share of milk collected by Fonterra declined gradually from 94% of total milk production in 2007/08 to about 87% in 2013/14.[18]

4.2.5 Sustainable management of resources

4.28. New Zealand has continued implementing schemes to improve sustainable management of resources, in particular water and land. The Community Irrigation Fund created in 2007 was superseded by the Irrigation Acceleration Fund (IAF) in 2011. The IAF also builds on the grants for irrigation-projects provided under the existing Sustainable Farming Fund.[19] IAF is targeted at supporting up to 50% of the costs of strategic water management studies and the feasibility, design and uptake stages of major irrigation and water storage projects up to the "investment-ready" stage. It has a budget of NZ$35 million to be used over a period of five years.[20]

4.29. Under New Zealand's Emissions Trading Scheme (NZETS) emitters of greenhouse gases must either reduce their emissions or buy New Zealand Units to pay for those emissions. Since 2012, the agricultural sector is required to report biological emissions (methane and nitrous oxide) that are produced on-farm. However, agriculture will have to surrender obligations in the ETS only if there are technologies available to reduce such emissions and international competitors take sufficient action on their own emissions.[21] The agricultural sector is responsible for almost half of New Zealand's greenhouse gas emissions.[22]

4.2.6 Fisheries

4.30. Commercial fishing and aquaculture are today one of New Zealand's leading export industries. Seafood exports (including wild capture and aquaculture) usually rank fifth in terms of export earnings. In 2013, the total value of seafood exports was US$1.46 billion, of which wild capture fisheries accounted for US$1.21 billion and aquaculture for US$252 million.[23] More than

[15] The FSF Units are listed on the New Zealand Stock Exchange Main Board.
[16] Passed in 2001 to foster competition in the dairy market, DIRA obliges Fonterra Co-operative Group to ensure farmers' open entry and exit to the co-operative, collect milk from a requesting farmer and to make up to 79,500 million litres of raw milk available to independent processors at a regulated price.
[17] The thresholds are defined as a percentage of milk solids collected by independent processors from all New Zealand dairy farms in a given season. They were raised from 12.5% to 20% in 2011.
[18] Information provided by the authorities.
[19] WTO (2009).
[20] WTO document G/AG/N/NZL/70, 23 September 2011.
[21] Climate Change Response (Emissions Trading and Other Matters) Amendment Act 2012.
[22] Ministry of the Environment, New Zealand's Greenhouse Gas Inventory 1990-2010.
[23] Ministry for Primary Industries (2014).

90% of all catch is exported. Eight large fishing companies account for some 80% of production, but there are also medium and smaller companies, mainly dedicated to inshore fishing.[24]

4.31. The fisheries sector is principally governed by the Fisheries Act 1996 and its amendments.[25] Following the merger of the Ministries of Fisheries and Agriculture, as of April 2012 the Ministry for Primary Industries is the Government's principal adviser on fisheries and aquaculture management.

4.32. In order to ensure the sustainable utilization of fisheries resources, commercial fishing in New Zealand has been regulated by a Quota Management System (QMS) since 1986. Box 4.1 describes the main features of the QMS.[26] Currently, there are about 100 commercial species subject to the QMS. Commercial fishing of any non-QMS species not included on a specified list of the Fisheries Act 1996 is allowed.

Box 4.1 Commercial fishing: Quota Management System (QMS)

- The QMS regulates commercial fishing in New Zealand in order to ensure sustainable utilization of fisheries resources.
- 100 species are subject to the QMS, divided into 638 separate stocks defined by geographical areas. Each stock is divided into 100 million transferable quota shares.
- In the past, quota was allocated on the basis of catch history. Since 2010, quota shares for new stocks under the QMS are allocated through tender. Under the Maori Fisheries Act 2004, 20% of any new QMS stock is allocated to Maori.
- Total allowable catch (TAC) limits are set for each fish stock at the level that allows maximum sustainable yield (i.e. the greatest yield while maintaining a stock's productive capacity over time). After allowing for non-commercial fishing and fishing-induced mortality of each stock, a total allowable commercial catch (TACC) is determined.
- Each quota share generates an annual catch entitlement (ACE), expressed in weight, within the TACC available for each stock. ACE can be traded during the fishing year.
- Fishers must balance their catches with their ACE at the end of each fishing year. If the catches exceed their annual ACE holdings, fishers must pay to the Crown a monetary amount (deemed value) determined by the Minister for Primary Industries. Deemed values are higher than the ACE price of the stock plus the costs of obtaining the ACE.
- A catch balancing mechanism and reporting requirements are in place to enforce the QMS.

Source: Information provided by the authorities. See also http://fs.fish.govt.nz/Page.aspx?pk=81&tk=248.

4.33. The MPI is responsible for the implementation of the Fisheries Act and the QMS. A private entity, FishServe, operates some of the services required by the Act and relevant regulations (as either devolved or contracted services), such as maintaining the registers of all fishing quotas and ACE trades, vessel registration, high seas permits, and issuing commercial fishing permits that are required for undertaking fishing in New Zealand.

4.34. Currently, there are about 2,200 individuals and companies holding fishing quotas. The Fisheries Act 1996 provides for the setting of caps on the total number of quota shares of a particular stock that may be held by any single person or company (these caps do not apply to ownership of ACE so as to ensure the operational efficiency of fisheries). Nevertheless, the Minister for Primary Industries may consent to a higher limit for any entity that requests the extension

[24] MPI online information. Viewed at: http://www.fish.govt.nz/en-nz/Commercial/.

[25] Other laws governing the sector include the Aquaculture Reform (Repeals and Transitional provisions) Act 2004, the Treaty of Waitangi (Fisheries Claims) Settlement Act 1992, the Maori Commercial Aquaculture Claims Settlement Act 2004, the Maori Fisheries Act 2004, and a significant number of regulations relating to the management of fisheries within and outside New Zealand's Exclusive Economic Zone.

[26] For more details on the QMS see also: http://fs.fish.govt.nz/Page.aspx?pk=81&tk=248.

prior to acquiring the quota shares that would be in excess of the prescribed limit. A number of companies have been granted such consent.

4.35. Under the overseas investment fishing provisions of the Fisheries Act 1996 (Sections 56 to 58), consent is required for any overseas investment in fishing quota.[27] The criteria for consent that all overseas investments in fishing quota must meet is established in Section 57G of the Act and includes that the granting of consent is in the national interest.[28]

4.36. Overseas persons may not have a 25% or more ownership or control interest in fishing quotas, without consent first being obtained from the relevant Ministers (i.e. the Minister for Primary Industries and the Minister of Finance). Under the Overseas Investment Act (2005), all overseas investments in fishing quota are defined as sensitive (section 2).

4.37. The recently passed Fisheries (Foreign Charter Vessels and other matters) Amendment Act 2014 will prohibit foreign-flagged charter fishing vessels (FCVs) from fishing in New Zealand waters (within the 200 mile limit) from 1 May 2016. At present, FCVs registered as New Zealand fishing vessels are allowed to fish in New Zealand waters, and there are a number of vessels operating under such provisions, which will need to be reflagged as New Zealand vessels if they are to continue their operations. Fish landed from such vessels is managed according to the charter arrangements between the New Zealand company and the foreign vessel owner.

4.3 Energy

4.3.1 Overview

4.38. In 2013, oil made up 33% of New Zealand's total energy supply, followed by gas (22%), geothermal energy (20%), hydro (10%), other renewable sources (8%) and coal (7%). The overall contribution of renewable sources to total energy supply was 38%. Local production was responsible for 83% of the country's total energy supply. New Zealand is self-sufficient in all primary energy sources, except oil, of which it is a net-importer. On the other hand, it is a net-exporter of coal and liquid petroleum gas (LPG). In 2013, the transport and industrial sectors accounted for 37% and 36% of energy demand, respectively.[29]

4.39. The direction of energy policy is set out in the New Zealand Energy Strategy 2011-2021 and the New Zealand Energy Efficiency and Conservation Strategy 2011-2016 (NZEECS), both released in August 2011. The strategy focusses on four objectives: developing greater energy resources, including renewable and non-renewable; ensuring secure and affordable energy; making efficient use of energy; and maintaining an environmentally responsible approach to energy. New Zealand aims to generate 90% of its electricity from renewable energy sources by 2025, and to achieve a 50% reduction in its greenhouse gas emissions (from 1990 levels) by 2050.[30] The NZEECS sets out specific policies and targets in six sectors to achieve the above objectives.[31] The Energy Efficiency and Conservation Authority (EECA) is the government body responsible for improving energy efficiency by businesses and homes and fostering greater use of renewable energy.[32]

4.40. New Zealand Emissions Trading Scheme (NZETS), in place since 2008, is part of the overall energy strategy. After a first review in 2011, amendments to the NZETS were passed in 2012 with the purpose of reducing its cost impact on businesses and households, improving its operation and making it more flexible. Some transitional provisions were extended until the next review in 2015.

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[27] For the purposes of the overseas investment fishing provisions of the Fisheries Act 1996, fishing quota means an interest in provisional catch history, quota or annual catch entitlement (ACE) (Section 57A).

[28] Factors to determine whether or not overseas investment in fishing quotas is in the national interest are spelled out in Section 57H of the Fisheries Act 1996, and include, *inter alia*, the creation of new jobs, the introduction of new technology or business skills, increased export receipts and added market competition.

[29] Figures in this paragraph are taken from Ministry of Business, Innovation and Employment (2014).

[30] Ministry of Business, Innovation and Employment online information. Viewed at: http://www.med.govt.nz/sectors-industries/energy/pdf-docs-library/energy-strategies/nzes.pdf.

[31] Ministry of Business, Innovation and Employment online information. Viewed at: http://www.med.govt.nz/sectors-industries/energy/pdf-docs-library/energy-strategies/nzeecs.pdf.

[32] For more details see EECA online information at: http://www.eeca.govt.nz/.

4.3.2 Electricity

4.41. In 2013, just over 75% of the electricity generated in New Zealand came from renewable sources, mainly hydropower (54.5% of all generation).[33] Gas contributed with 19.4% and coal with 5.3%. The industrial sector remained the largest consumer of electricity (38%), followed by the residential (32%), commercial (24%) and agricultural (6%) sectors.[34]

4.42. The generation sector is formally unrestricted, but only five companies produce 92% of the country's electricity (2013).[35] Three of these companies (Meridian Energy, Genesis Energy and Mighty River Power) are 51% state-owned and account for almost two-thirds of all electricity generation. Transpower, another state-owned enterprise, owns, operates and maintains the national grid. It supplies electricity to 29 distribution companies, which tend to serve each a specific geographic area, although they have no exclusive territorial franchises. The ownership of distribution companies is a mix of publicly listed companies, shareholder trusts, community trusts and local bodies. 20 retailers buy electricity from the wholesale market and sell it to consumers, but 95% of the retail sector is dominated by five companies (which are also generators).[36] Certain restrictions apply on joint ownership and corporation between distributors, on the one hand, and generators and retailers, on the other.

4.43. Electricity is traded at a wholesale market, which is coordinated by the Electricity Authority (the government regulator) and other organizations undertaking various roles (e.g. market administrator, pricing manager, clearing manager). Wholesale electricity prices are set for every 30-minute trading period (i.e. 48 trading periods per day) and are based on the offers submitted by the generators for that period. The System Operator (Transpower) generally chooses the lowest-cost offers to satisfy demand, whereas the wholesale market prices (paid by all market participants) are set at the highest-priced bid accepted for that period. New Zealand has locational pricing for electricity, i.e. there are about 248 wholesale market locations across the country, each of which can have a different wholesale price, based on supply, demand and transmission constraints. While the System Operator operates the market to minimize the total cost of generation, it does so in a way that ensures that enough generation/transmission capacity is held in reserve so that unexpected events can be managed without interrupting supply to consumers.

4.44. Wholesale and retail electricity prices are unregulated for all classes of consumers, except that retailers must offer households with below-average consumption a tariff with a fixed charge tariff component not exceeding 30 cents per day (variable tariff components are not regulated). Local electricity distribution is a monopoly business. Some of the largest distribution enterprises are subject to price-quality regulation by the Commerce Commission.

4.45. There were important changes to the regulatory regime of the electricity sector during the review period. The Electricity Industry Act 2010 (EIA) came into force in November 2010, together with the Electricity Industry Participation Code 2010 (the Code) and a set of new regulations.[37] The EIA replaced parts of the Electricity Act 1992 and repealed the Electricity Industry Reform Act 1998 (EIRA 1998).[38] The Code sets out the duties and responsibilities of industry participants and the new regulator. The Commerce Act 1986 (Part 4) provides for price-quality regulation for Transpower and large distribution companies (i.e. 17 non-community owned distributors). Under the same Act, Transpower and all distributors are subject to information disclosure requirements.

4.46. The main purpose of the EIA is to improve competition, reliability and efficiency in the electricity market. One of the main changes introduced by the EIA was the establishment of the Electricity Authority as an independent regulator (replacing the Electricity Commission) with regulatory and monitoring functions aimed at enhancing market performance.[39] The EIA also

[33] Other renewable sources were geothermal (14.5%), wind (4.8%), and bioenergy (1.4%).
[34] Figures are rounded, taken from Ministry of Business, Innovation and Employment (2014).
[35] These companies are Meridian Energy (32.7%), Contact Energy (24.3%), Genesis Energy (14.5%), Mighty River Power (15.1%), and Trustpower (5.2%).
[36] These are Contact Energy, Genesis Energy, Mercury Energy (the retail division of Mighty River Power), Meridian Energy, and Trustpower.
[37] The Electricity Industry (Enforcement) Regulations 2010, the Electricity Industry (Levy of Industry Participants) Regulations 2010, and the Electricity Industry (Participants and Roles) Regulations 2012. Electricity Authority online information at: http://www.ea.govt.nz/code-and-compliance/act-and-regulations/.
[38] The EIA also provided for changes to the Commerce Act 1986, the Gas Act 1992 and other Acts.
[39] Information about the Electricity Authority can be found at: http://www.ea.govt.nz/about-us/.

allowed distributors to increase their cross-ownership with retail businesses, and raised the thresholds for ownership and corporate separation between distribution and generation. At the same time, it set out provisions to prevent discrimination by distribution companies against competing generators and retailers. The Electricity Authority is responsible for enforcing these provisions and has the power to set reporting requirements. It has been noted that while the EIA provides opportunities for distribution companies to invest in generation and retail, it could lead to vertical integration (from generation to retail) in some cases.[40] This makes the enforcement of pro-competition provisions and market monitoring all the more relevant. The Electricity Authority promotes competition in the electricity sector and the Commerce Commission is responsible for enforcement of competition rules in the electricity distribution and transmission markets.

4.47. The Public Finance (Mixed Ownership Model) Amendment Act 2012 provided for the partial privatization of the three state-owned generators/retailers. Accordingly, the Government sold 49% of its stake in Mighty River Power (May 2013), Meridian Energy (October 2013), and Genesis Energy (April 2014). The electricity sector is subject to the provisions of the Overseas Investment Act 2005.

4.48. Under the Electricity Industry (Levy of Industry Participants) Regulations 2010 a levy is collected from all participants in the electricity industry. The levy is directly charged to industry participants, who may pass its cost on to consumers.

4.3.3 Hydrocarbons

4.49. New Zealand has several producing oil fields, but it is a net oil importer. Most domestically produced oil is sold on the international market where its good quality attracts a premium price, while cheaper oil is imported to be refined locally. The Middle East and Australia are the main sources of imports of crude oil. The only oil refinery, operated by Refining NZ, meets around 60% of domestic demand. In 2013, some three-quarters of imports of refined oil products came from Singapore and the Rep. of Korea. Diesel and petrol make up 85% of oil products domestic demand.[41] Prices and taxes on vehicle fuels are relatively low. New Zealand is a net exporter of LPG.

4.50. The Crown owns all petroleum resources and associated hydrocarbons. A permit is required in order to prospect, explore or mine petroleum whether in-ground, in the Exclusive Economic Zone or in the continental shelf. New Zealand Petroleum and Minerals (NZP&M) is the government agency responsible for administering the permit regime under the Crown Minerals Act 1991. It reports to the Minister of Energy and Resources. The sector is open to foreign investment. Consent under the Overseas Investment Act 2005 is not normally required for prospecting, exploration or mining permits. However, consent is required for acquisition of "significant business assets" worth more than NZ$100 million.

4.51. The Petroleum Action Plan (2009) provided for a more proactive role of the Government in supporting exploration and development of petroleum resources and a review of the regulatory regime in order to attract investment. Amendments to the Crown Minerals Act 1991 and the Minerals Programme for Petroleum and associated regulations came into force on 24 May 2013. A new streamlined permit regime was introduced to reduce the time required to obtain exploration permits for less complex and lower-risks projects, and improvements were made in the coordination between NZP&M and the health, safety and environmental regulators in the allocation of permits.

4.52. Prior to 2012, petroleum permits were allocated either via "priority in time" (PIT) or competitive tender. PIT permit allocation was removed in 2012 and since then all petroleum exploration permits have been allocated via the so-called Competitive Block Offer method. NZP&M publishes annual block offers, making available a number of blocks for competitive tender on the

[40] Nightingale and Odlin, at Buddle Findlay Lawyers (2010).
[41] Ministry of Business, Innovation and Employment (2014).

international market. In December 2012, the Government awarded ten new oil and gas exploration permits, and an additional ten in 2013.[42] Most of the permits were granted to foreign investors.

4.53. A competitive tax and royalty regime is in place to attract investment to the petroleum sector. Exploration-related expenditures are deducted for royalty purposes in the year they are incurred. Non-resident offshore rig operators and seismic vessels are exempted from paying tax on their profits. This exemption was introduced as a temporary measure in 2005 but has since been extended twice; it is now due to expire on 31 December 2019.

4.54. The Crown Minerals (Royalties for Petroleum) Regulations 2013 set royalty rates on petroleum production from permits granted after 24 May 2013. Companies pay either an *ad valorem* royalty or an accounting profits royalty, whichever is higher in any given year. In May 2014, the Government announced a partial review of the fees charged for petroleum prospecting permits and offshore minerals permits, considered to be too high relative to their administration cost. A full review of the fees regime for petroleum and minerals will be conducted in 2015-16.

4.4 Manufacturing

4.55. The manufacturing sector remains an important contributor to the New Zealand economy, although its shares in GDP and total employment continued to fall over the years under review. Manufacturing activity contracted sharply during 2008/09 due to weak foreign and domestic demand, and has achieved only a modest recovery since then. The sector accounted for 12.1% of GDP (at current prices) in 2011/12 and 11.3% of total employment (the latter fell to 10.8% in 2013/14) (Table 1.2).

4.56. There has been some diversification towards higher value-added, knowledge-intensive subsectors (e.g. niche electronic goods, new materials and software) in recent years, however, primary food manufacturing (mainly dairy and meat products) and other resource-based industries remain the largest components of manufacturing activity. Food, beverage and tobacco is the most important subsector accounting for 38.9% of total manufacturing output (2011/12)[43] and around 35% of the manufacturing workforce (2013). Other important subsectors are machinery and transport equipment, petroleum and chemical products, metal products, and wood and paper manufacturing.

4.57. Manufactured products accounted for 19.9% of New Zealand's total merchandise exports in 2014 (down from 25.6% in 2009). However, this does not take into account exports of food products, which are registered under "agriculture" and made up 58.5% of goods exports in 2014. On the import side, manufactures represented 70.7% of New Zealand's total merchandise imports in 2014, compared to 71.4% in 2009. (Tables A1.1 and A1.2). Australia is the main export market for New Zealand's manufactures and Asia is the largest supplier of New Zealand's manufactured imports.[44]

4.58. The manufacturing sector is generally open to foreign investment and receives little import protection. In 2014, the average MFN tariff for manufacturing (ISIC 3) was 2.5%, slightly lower than the 2.7% reported in the previous Review (2009). However, tariff rates in the textiles, clothing and leather industries (ISIC 32) remain higher than in other sectors, with an average applied MFN tariff of 4.4% in 2014. Tariffs for clothing (ISIC 3220) and footwear (ISIC 3240) are even higher at 8.9% and 6.8%, respectively, although they are somewhat lower than at the time of the previous Review.

4.59. During the years under review, New Zealand's manufacturing industry faced a number of challenging conditions, including weak domestic and international demand, volatility in world food prices, and the appreciation of the New Zealand dollar against the currencies of some major trading partners. Other factors affecting the sector are the shortage of skills, in areas such as

[42] Ministry of Business, Innovation and Employment online information. Viewed at: http://www.med.govt.nz/sectors-industries/energy/pdf-docs-library/energy-strategies/nzpm-block-offer-strategy.pdf.
[43] Information provided by the New Zealand authorities.
[44] RBNZ (2012).

engineering and management, weak linkages between the education system and the labour market, and insufficient investment in R&D.[45]

4.60. There is no overarching official policy specifically targeted at the manufacturing industry. Instead, the New Zealand Government has put in place several programmes to assist businesses in the sector, mainly in the form of financial support, technical advice and R&D funding. The Business Growth Agenda (BGA) outlines Government initiatives to support New Zealand businesses to grow and help create a more productive and competitive economy, while specific programmes are implemented through government agencies. For example, New Zealand Trade and Enterprise (NZTE) has programmes such as "Better By Design" (which assists companies to improve international competitiveness by integrating design principles across their businesses); "Better By Lean" (helps firms to improve performance by eliminating inefficient processes and activities); and "Better By Strategy" (previously called Manufacturing Plus) assists companies to develop business models, action plans and practical tools to enhance business performance.[46]

4.61. The Ministry of Business, Innovation and Employment manages approximately NZ$60 million annually in funding for research targeted at industry issues in the high value manufacturing and services sectors. Grants are allocated to research providers via a contestable process and are usually for a period of several years. In 2013, the Government established "Callaghan Innovation", a Crown entity, which promotes the commercialization of innovation by firms. It funds business R&D (some NZ$160 million a year), advises firms on innovation, and can provide some research and technical services (section 3.4.1).

4.5 Services

4.5.1 Features and multilateral commitments

4.62. Services remain the leading sector of New Zealand's economy, although their average annual growth rate at 1.9% in real terms between 2008/09 and 2013/14 has been more moderate than that reported in the previous Review. The share of services in GDP increased slightly during the review period to 69.7% (2011/12), while its share in total employment rose from 71.2% in 2008/09 to 73.2% in 2013/14. The largest subsectors are "professional, scientific and technical services" and "rental, hiring and real estate services", which contributed 7.7% and 7.1% to GDP in 2011/12, respectively. Other important subsectors are health care and social services, owner-occupied property operation, and finance and insurance (Table 1.2). The subsectors with the highest annual average growth rates during the review period were professional, scientific and technical services and information media and telecommunications. The latter's dynamism is, in part, due to significant investments made for the roll-out of the ultra-fast broadband fibre network (section 4.5.3).

4.63. New Zealand's services trade balance remained positive throughout the review period. Services exports amounted to NZ$16,766 million for the year ending in March 2014 (about 25% of total exports of goods and services), while imports totalled NZ$15,498 million. The major services exports continue to be travel, transport (mainly air transport) and business services; while the areas that have seen strong growth are financial services, computer and information services and audio-visual services. The main import categories are also travel, transport and business services (Table 1.5).

4.64. New Zealand has commitments in 90 of the 155 sectors covered in the classification normally used to make commitments under GATS.[47] The cross-border supply of most services (mode 1) has been bound without market access limitations. Except for financial services[48], some transport services and one type of business service[49], there are no market access limitations for the supply of services through commercial presence (mode 3) in New Zealand. Investments by

[45] Castalia (2014).

[46] MBIE carried out an evaluation of the Manufacturing Plus programme in 2010. The report is available at: http://www.med.govt.nz/about-us/publications/publications-by-topic/evaluation-of-government-programmes/nzte-output-class-2-sector-activities-evaluation-report-august-2010.pdf.

[47] WTO document S/DCS/W/NZL/, 24 January 2003.

[48] New Zealand undertook specific commitments on financial services in accordance with the GATS' Understanding on Commitments in Financial Services.

[49] Services incidental to animal husbandry.

"overseas persons" over a specified threshold require consent under the Overseas Investment Act 2005 (this was scheduled as a general national treatment limitation on mode 3 based on the Overseas Investment Act 1973 in force at the time of scheduling). New Zealand has adopted the pro-competitive principles contained in the Reference Paper for Basic Telecommunications. MFN exemptions have been listed for audio-visual services, interpretation services, and maritime services (the latter relate to the nationality of officers servicing on New Zealand ships).

4.65. According to the World Bank's service trade restrictiveness index, New Zealand is one of the most open countries to services trade, taking into account all modes of supply.[50] There are, however, certain restrictions on FDI in the telecommunications and transport sectors (sections 4.5.3 and 4.5.4). Competition in certain services sectors (i.e. retail, finance, insurance, real estate and professional services) is relatively weaker than in other sectors (section 3.4.3).

4.5.2 Financial services

4.66. New Zealand has a developed, well-functioning financial system. The sector represents about 6% of GDP (2011/12) and contributes around 3% to total employment. It grew at an average annual rate of 2% in real terms between 2008/09 and 2013/14. Banks dominate the financial sector, accounting for most of the lending and deposit taking activity. Overall, New Zealand's financial system weathered the 2008-09 global financial crisis relatively well and remains sound. During the review years, regulatory changes strengthened the prudential framework for all types of financial institutions. The system faces some challenges such as high levels of debt in the household and agricultural sectors, and banks' heavy reliance on foreign funding, which exposes them to foreign liquidity risks. Macro-prudential instruments have been used to address those challenges and increase the resilience of the domestic financial system.

4.67. The financial sector is subject to the general provisions of the Overseas Investment Act 2005 (section 2). There are no sector-specific restrictions on foreign investment, with local and foreign financial institutions competing on the same conditions in the domestic market. All companies, domestic and foreign, have access to a range of financing options in the local market. New Zealand does not apply a capital gains tax.

4.68. The financial services market is generally open to trade. Foreign-owned suppliers deliver 93% of all banking services in New Zealand and underwrite around 51% of all insurance contracts. Many other financial services can be supplied cross-border, including: insurance relating to transport and transit of goods; reinsurance and retrocession and services auxiliary to insurance; provision and transfer of financial information and financial data processing and related software; advisory, intermediation and other auxiliary financial services; and certain electronic payment and portfolio management services.

4.5.2.1 Banking

4.5.2.1.1 General features and market structure

4.69. New Zealand's banking system is characterized by a high level of foreign ownership, with more than 90% of all financial system assets owned by foreign banks. As at end-November 2014, there were 25 registered banks in New Zealand, of which ten were branches of foreign banks and one a state-owned bank (Kiwibank). Of the 14 New Zealand incorporated banks, nine are foreign-owned. The banking sector's total assets amounted to NZ$431.4 billion at June 2014. Concentration in the sector remains high, with the four largest banks (locally incorporated but predominantly Australian-owned) holding 81.5% of total assets (Table A4.1).

4.70. Following the global financial crisis, New Zealand's banking sector has performed well. All banks are now well capitalized and exceed their regulatory requirements, including the new Basel III capital requirements. Overall Tier 1 capital ratio is 11.4% of risk-weighted assets (Table 4.2), compared to the minimum requirement of 6%. All locally incorporated banks meet the capital conservation buffer of 2.5% of common equity (in place since January 2013) and their quantitative and qualitative liquidity requirements.[51] The non-performing loans ratio has fallen

[50] World Bank online information. Viewed at: http://iresearch.worldbank.org/servicetrade/default.htm.
[51] RBNZ (2014).

since 2011, and is now at 0.9%. Return on equity (ROE) was 13.7% (January-June 2014), making New Zealand's banking sector highly profitable by international standards.[52]

Table 4.2 Banking sector indicators, December 2009 to June 2014

	Dec. 09	Dec. 10	Dec. 11	Dec. 12	Dec. 13	Jun 14
Number of registered banks	19	19	21	22	23	23[a]
Total assets (NZ$ million)	376,740	379,635	393,132	406,359	412,932	431,421
Total income (NZ$ million)	9,530	9,365	10,716	10,182	11,089	11,256
Net interest income (NZ$ million)	6,929	7,313	7,792	8,183	8,375	8,618
Operating expenses as a % of total income	44.3	47.0	41.8	46.0	43.0	40.9
Net profit after tax (NZ$ million)	295	2,700	3,742	3,369	4,307	4,604
Return on assets (ROA) (%)	0.1	0.7	1.0	0.8	1.1	1.1
Return on equity (ROE)[b] (%)	2.9	9.9	13.1	11.2	12.9	13.7
Total capital (as a % of risk-weighted assets)[b]	12.6	12.8	13.3	13.1	12.5	12.6
Tier 1 capital (as a % of risk-weighted assets)[b]	9.5	9.8	1.6	11.5	11.4	11.4
Tier 2 capital (as a % of risk-weighted assets)[b]	3.1	3.0	2.7	1.5	1.1	1.1
Impaired assets/gross lending (%)	1.2	1.6	1.4	1.1	0.8	0.6
Non-performing loans/gross lending (%)	1.7	2.1	1.7	1.4	1.0	0.9
Specific provisions/impaired assets (%)	31.1	30.3	31.5	36.9	31.6	33.3

a As at end-November 2014, there were 25 registered banks.
b For locally incorporated banks only. Overseas incorporated banks are required to calculate capital and risk weighted credit exposures in accordance with the requirements in their home jurisdiction, therefore they are not directly comparable.

Source: Information provided by the New Zealand authorities.

4.71. Banks' funding conditions are gradually improving, with more stable core funding (retail deposits, long-term wholesale borrowing and bank capital) making up 85.5% of total funding (September 2014), while reliance on offshore borrowing has been reduced. Credit has expanded at around 5% annually in recent years (from 1.3% in late 2009), but it has started to outpace retail deposits growth. Credit expansion has been primarily due to an increase in mortgage lending, reflecting a buoyant housing market, particularly in 2012 and 2013, although restrictions on new mortgage loans introduced in October 2013 have helped cool off the property market (see paragraph 4.82).

4.72. Non-banking deposit-taking institutions (NBDTs), i.e. finance companies, building societies and credit unions, represented about 1.1% of intermediated credit in New Zealand in May 2014 (down from 5.5% in December 2007).[53] NBDTs were hard hit during the 2008-09 global financial crisis due to risky lending practices and the slow-down in economic activity. Severely constrained by the lack of available funding, many of them experienced failure or were merged with other institutions. This prompted the Government to expedite its proposals for the prudential supervision of these institutions by the RBNZ (see paragraph 4.83).

4.5.2.1.2 Regulatory framework

4.73. The banking sector is regulated by the Reserve Bank of New Zealand (RBNZ) under the Reserve Bank of New Zealand Act 1989. The Act empowers the RBNZ to register and supervise banks for the purposes of promoting a sound and efficient financial system, and avoiding

[52] New Zealand's banking sector ranks sixth out of 25 OECD countries in terms of ROE (RBNZ, 2014b).
[53] Figures provided by the New Zealand authorities (RBNZ).

significant damage to the system in the event of distress or bank failure. The RBNZ is also responsible for overseeing non-bank deposit takers, insurance companies and the payment system. In addition, banks are subject to the Credit Contracts and Consumer Finance Act 2003, administered by the Commerce Commission, which requires creditors to disclose all aspects of credit contracts (e.g. fees, charges, and interest).

4.74. Both locally incorporated entities and branches of banks incorporated overseas may apply for registration. There is no upper limit on the number of registered banks and no restrictions on the scope of financial services that a bank may provide. However, a banking group is not permitted to conduct material non-financial activities and insurance businesses in excess of 1% of total consolidated group assets.

4.75. Only entities whose business substantially consists of borrowing and lending money or providing other financial services may be registered as banks. They must have a proven ability to conduct their business in a prudent manner and an appropriate standing in financial markets. The RBNZ takes into account both qualitative and quantitative criteria in the registration process.[54] New Zealand-incorporated banks must have a total capital of not less than NZ$30 million and meet Basel III capital ratio requirements and buffers: i.e. a minimum ratio of 6% of Tier 1 capital to risk-weighted assets (increased from 4% in January 2013), a minimum 8% total capital ratio; a common equity Tier 1 capital ratio of not less than 4.5%, and a conservation buffer of 2.5%. Banks can operate within this buffer but incur restrictions in their profit distribution if they do so. The RBNZ has the power to apply an additional counter-cyclical capital buffer in periods of excessive credit growth. Minimum capital requirements for the four largest banks are based on an internal-model-approach, which must be approved by the RBNZ for each bank.

4.76. Since April 2010, locally incorporated banks must hold liquidity buffers that satisfy the one-week and one-month mismatch ratios. Additionally, registered banks must comply with a minimum "core funding ratio" (CFR) introduced in 2010. The CFR requires that at least 75% of total funding must come from liabilities other than short-term debt, such as retail deposits, long-term wholesale borrowing and bank capital.[55] Banks must make quarterly public disclosures of their financial and prudential state, maintain credit ratings for their long-term unsecured obligations payable in New Zealand in local currency, and comply with limits on the level of exposure to related parties.

4.77. An overseas incorporated entity wishing to register as a branch in New Zealand must have bank status in its home jurisdiction and the approval of its home supervisor to carry out banking activities in New Zealand. Branches of overseas banks are not subject to minimum capital requirements, but the parent bank must demonstrate that it meets the prudential requirements, including minimum capital standards, imposed on it by its home supervisor. However, the RBNZ may require a foreign bank to operate through a locally incorporated entity rather than a branch in certain circumstances, i.e. when the bank is systemically important[56]; when the bank intends to take retail deposits in New Zealand and there is depositor protection in the bank's home jurisdiction; or when supervisory arrangements (including disclosure requirements) and market disciplines in the home jurisdiction are deemed inadequate.[57]

4.78. The RBNZ closely monitors banks compliance with the prudential supervision regime, but does not guarantee banks against failures. Currently, there is no formal deposit guarantee scheme.[58] In the event that a registered bank fails, the RBNZ will seek to avoid significant damage to the financial system. It may act as the lender of last resort and also use its crisis management powers, which include giving directions to a registered bank that is in difficulties, and recommending that a bank in financial distress be placed under statutory management.

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[54] The RBNZ published an updated set of principles that it follows in deciding over applications for registration (RBNZ, 2014b).

[55] Initially the CFR was set at 65%, then increased to 70% in 2011 and to 75% in January 2013.

[56] Systemically important banks are those whose New Zealand liabilities (net of amounts due to related parties) exceed NZ$15 billion.

[57] RBNZ (2014b).

[58] The wholesale bank guarantee facility and the retail guarantee scheme introduced in response to the 2008-09 global financial crisis were terminated on 30 April 2010 and 31 December 2011, respectively.

4.79. During the review years, a number of regulatory changes were made to improve prudential standards and the overall functioning of the financial system. In the banking sector, these included the implementation of the Basel III minimum capital requirements and buffers, effective January 2013; the introduction of quantitative liquidity requirements in 2010; adjustments to the core funding ratio (2011 and 2013); and the implementation of a new policy for Open Bank Resolution (OBR) to help address the "too-big-to-fail" issue and reduce the net cost of banking crises, placing it primarily on the bank shareholders and creditors (2012). Other regulatory developments were the creation of the Financial Markets Authority (FMA) as the regulator for the securities sector[59]; the establishment of a Council of Financial Regulators to facilitate cooperation between the RBNZ, the FMA and other government departments involved in financial regulation; legislation against money laundering and financing of terrorism[60]; legislation to provide greater certainty and transparency for covered bonds issued by banks[61]; as well as the introduction of new regulatory frameworks for non-bank deposit takers and the insurance sector (section 4.5.2.3).

4.80. The RBNZ may impose macro prudential requirements at particular times to address potential system-wide risks and build its resilience. A 2013 Memorandum of Understanding between the Governor of the RBNZ and the Minister of Finance provided for the RBNZ's temporary use of four macro-prudential tools, namely core funding requirements, a counter-cyclical capital buffer, changes in sectoral capital requirements to address credit imbalances in some sectors, and loan-to-value caps on residential mortgages.

4.81. In October 2013, in order to minimize potential risks to the financial system posed by rapid price increases in the housing market, the RBNZ required registered banks to hold higher levels of capital against their high loan-to-value exposure and imposed limits on the proportion of new mortgage loans with high loan-to-value ratios (LVRs). Loans with LVRs over 80% must not exceed 10% of a bank's new mortgage loans. The measure has helped bring the housing market back to a more sustainable level, with prices and credit growth moderating in 2014.

4.82. The Reserve Bank of New Zealand Amendment Act passed in September 2008 designated the RBNZ as the prudential regulator of non-bank deposit-taker institutions. Since 2010, these institutions are subject to regulatory requirements including capital adequacy, liquidity, related-party lending, governance, risk management, and credit rating obligations. The Non-bank Deposit Takers Act 2013, which came into force in May 2014, provides a stand-alone framework for the prudential regulation of the NBDT sector. The new Act incorporates the prudential requirements that were already in place and adds new provisions on licensing, fit and proper requirements for directors and senior officers, changes of ownership, and investigation and enforcement.[62]

4.5.2.2 Insurance

4.5.2.2.1 General features and market structure

4.83. New Zealand's insurance sector comprises life insurance, health insurance and general insurance. At end-June 2014, total insurance premiums were estimated at NZ$14 billion (including government-owned insurers).[63]

4.84. As at end-September 2014, there were 99 licensed insurers carrying on business in the New Zealand market, of which 96 were fully licensed and three had provisional licences. Of the total, 55 licensed insurers were foreign-owned, with insurance premiums of NZ$7 billion.

4.85. Three government-owned entities, i.e. the Accident Compensation Corporation (ACC), the Earthquake Commission (EQC) and Southern Response participate in the insurance sector but are exempt from general prudential regulation. ACC is the Government provider of personal injury

[59] Financial Markets Authority Act 2011. The FMA acts also as a joint regulator of settlement systems with the RBNZ.

[60] Anti-Money Laundering and Countering Financing of Terrorism Act 2009 and its regulations issued on 30 June 2011. The AML/CFT regime came fully into force at 30 June 2013.

[61] Reserve Bank of New Zealand (Covered Bonds) Amendment Act 2013.

[62] Non-Bank Deposit Takers Act 2013 and Non-bank Deposit Takers (Debt Securities and Suitability Concern) Regulations 2014.

[63] Information provided by the New Zealand authorities.

insurance; it is a statutory monopoly (although some large employers can contract out and cover their employees for work related accidents), with its own legislation and is overseen by the Ministry of Business, Innovation and Employment and the Treasury. EQC is a monopoly provider of nationwide residential insurance for land and dwellings[64]; it has its own legislation and is overseen by the Treasury. ACC and EQC insurance premiums amount to NZ$5 billion. Southern Response is a run-off insurer for covered insurance claims arising from the Canterbury earthquake events between 2010 and 2012; it is overseen by the Treasury.

4.86. Over the three-year licensing transition period that ended in September 2013 (section 4.5.2.2.2), the insurance sector underwent significant restructuring: some insurers changed their business to fall outside the prudential regime, some exited the market by way of run-off or transfer of their whole portfolio to other insurers, and others restructured between related corporate entities; there have also been new entrants to the market.[65] In May 2014, the New Zealand Commerce Commission approved the purchase of Lumley General Insurance (N.Z.) by the Australian IAG Group; this acquisition increased IAG's market share to some 50% of the general insurance sector in New Zealand. In June 2014, after completing its assessment under the Insurance (Prudential Supervision) Act 2010, the RBNZ announced that it remained satisfied that Lumley General Insurance (N.Z.) Limited would continue to meet the licensing criteria set out in the Act. The Australian approvals required to complete the transaction (including the approval from the Australian Competition and Consumer Commission) were received by 20 June 2014 and the transaction was completed on 30 June 2014.[66]

4.87. The general insurance sector was hard hit by the massive Canterbury earthquakes in 2010 and 2011, which resulted in a high level of claims and general increases in property insurance premiums. The industry is still grappling with the substantial costs of the earthquakes. As at 30 September 2014, total claim payments for the earthquakes were NZ$22 billion, of which the state-owned EQC paid NZ$7 billion and private insurers the rest.[67] In 2012, the Government also established a new agency, the Southern Response, to assume the earthquake claims liabilities of a major insurer, AMI Insurance, which failed because of the earthquakes.[68] New Zealand insurers have managed to meet their claims liabilities through reinsurance and with additional capital provided by parent companies or through Crown support in the case of EQC and Southern Response. The life-insurance sector is relatively small: at end-March 2014, it had assets of approximately NZ$12 billion.[69] The RBNZ expects an improvement in the sector's outlook in the longer term thanks to greater affordability through rising incomes and anticipated higher investment returns.[70] Overall, the insurance sector is facing increasing competition from banks, which benefit from size advantages and are selling insurance to their customers through their distribution-channels.

4.5.2.2.2 Regulatory framework

4.88. During the review period, the legal framework for the insurance sector was subject to a major overhaul to bring it in line with international standards. The Insurance (Prudential Supervision) Act 2010 and its Regulations came into force in 2010.[71] The Act brought the insurance sector under the supervision of the RBNZ. It required all insurers conducting business in New Zealand (life, health and general insurance) to be fully licensed by the RBNZ within a period of three years (i.e. by 7 September 2013).[72] The Act also empowered the RBNZ to take appropriate action in the event that an insurer was not able to comply with the law or was otherwise in financial or other difficulties. In 2011, the RBNZ issued fit and proper standards for

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[64] EQC's dwelling cover is capped at NZ$100,000, after which private insurers' cover is needed.
[65] RBNZ (2013).
[66] The purchase of Lumley General Insurance (N.Z.) formed part of a wider transaction whereby IAG Group in Australia also bought all the shares in Wesfarmers Insurance Pty Limited from Wesfarmers Limited.
[67] The RBNZ estimates the final cost of insurance claims to be NZ$31-38 billion.
[68] The IAG Group purchased AMI Insurance from the Government, except for the earthquake claims liabilities that were assumed by Southern Response. AMI insurance continues as a licensed insurer.
[69] Information provided by the New Zealand authorities.
[70] RBNZ (2014a).
[71] The Insurance (Prudential Supervision) Regulations 2010 were amended in 2012 and 2013.
[72] Existing insurers at the time of enactment of the new law were given a three-year transition period to obtain full licences, until then they continued to operate under provisional licences.

licensed insurers, solvency standards for different categories of insurance (since revised), and governance guidelines for licenced insurers.[73]

4.89. The Insurance (Prudential Supervision) Amendment Act 2013, which came into force in September 2013, required the RBNZ to publish and maintain a register of licensed insurers[74]; and financial strength ratings; it also allowed overseas insurers to submit financial statements based on their home country requirements in lieu of financial statements prepared according to New Zealand's requirements, subject to approval by the RBNZ.

4.90. The RBNZ has the power to set the conditions for licensing and is required to publish its policies on how it will determine applications for licences.[75] Generally, an applicant (domestic or foreign-owned) must: hold a current financial strength rating by a rating agency approved by the RBNZ[76]; have the ability to carry on its business in a prudent manner; comply with solvency standards, including a minimum amount of capital (NZ$5 million for life insurance and NZ$3 million for non-life insurance); comply with statutory funds (for life insurance) and any conditions of licence; have a satisfactory fit and proper policy for directors and senior officers; have a proper risk management programme; be registered or qualify to be registered as a financial services provider; and comply with anti-money laundering legislation and any other prescribed requirements.

4.91. Overseas insurers may operate as branches in New Zealand, provided they meet all licensing, reporting and other prudential requirements. Nevertheless, the RBNZ has discretion to exempt foreign insurers from certain New Zealand requirements, if they are fully compliant with their home-country's regulation and the law, and regulatory requirements and prudential supervision in their home jurisdiction are at least as satisfactory as those applied to New Zealand insurers.

4.92. Licenced insurers may provide life and general insurance through the same entity. However, life insurers are required to establish a statutory fund to legally separate and better protect life insurance policyholders. Licensed insurers can have dealings with related parties (with higher risk charges for solvency calculations); they can conduct any non-insurance business within the insurer and can provide insurance in New Zealand and in other countries from within the same entity.

4.93. The RBNZ is currently focussing on prudential supervision, following a risk-based approach. Insurers are required to give prompt notice to the RBNZ of any breaches of regulatory requirements. In 2014, the RBNZ started a review of risk governance and plans to undertake other thematic reviews in the near future. It is also working on the development of a data collection and reporting system for the insurance sector, which is expected to assist its monitoring and supervisory functions.

4.5.2.3 Other financial services

4.94. The Financial Markets Conduct Act 2013 (FMCA) comprehensively overhauls New Zealand's regulatory framework for financial services. Part of the FMCA came into effect on 1 April 2014, and the remainder became effective on 1 December 2014, subject to certain transitional arrangements over a maximum two-year period. The FMCA established, *inter alia*, a licensing regime for fund managers, independent trustees, derivatives issuers, and providers of crowd funding, peer to peer lending and discretionary investment management services. Subject to transitional arrangements, it is not possible to perform any of these services without a licensed granted by the Financial Markets Authority as from 1 December 2014.

4.95. The Financial Advisers Act 2008 (FAA) requires providers of finance advice or broking services to retail clients in New Zealand to comply with disclosure, competency and conduct obligations. This is regardless of where the adviser or broker is resident, incorporated, or carries on business. The FAA also requires all financial advisers to be registered; those who advise on more complex financial products must generally be authorised by the Financial Markets Authority.

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[73] Insurance legislation is available at http://www.rnbz.govt.nz/regulation_and_supervision/insurers.
[74] The Register is available at: http://www.rbnz.govt.nz/regulation_and_supervision/insurers/register.
[75] For further detail see Conditions of licence and licensing policies, published on the RBNZ's website at: http://www.rbnz.govt.nz/regulation_and_supervision/insurers/licensing/5246234.pdf.
[76] All ratings are published on the RBNZ's website.

4.96. The Financial Service Providers (Registration and Dispute Resolution) Act 2008 (FSPA) requires any person or entity that provides financial services in New Zealand to register on a public register of financial service providers. Those supplying services to retail clients must also join an approved dispute resolution scheme. In addition, the Securities Trustees and Statutory Supervisors Act 2011 (STSS), which came into effect on 1 October 2011, requires securities trustees and statutory supervisors to be licensed.

4.5.3 Telecommunications

4.5.3.1 General features and market structure

4.97. During the review period, the number of fixed-line telephone connections declined slightly, as mobile services became cheaper and more attractive. At end June 2013, there were 1.85 million fixed-line connections, giving a penetration rate of around 41% (42% in 2007, as reported in the previous Review).[77] At the same date, there were about 4.7 million mobile connections, equivalent to a penetration rate of 107% (104% in 2007); with approximately two-thirds of mobile subscribers having pre-paid connections. Broadband services are delivered over both fixed-line and wireless connections. Fixed broadband connections have grown fast in recent years to reach 1.32 million at end June 2013 (up from 0.68 million in June 2007), giving a penetration rate of 29.5%.[78] The uptake of mobile broadband has also been growing fast in the last few years, supported by the use of new 4G mobile technologies and the Government's Rural Broadband Initiative. However, certain Internet access prices remain relatively high by international standards. Investment in the telecommunications sector has increased in recent years, mainly driven by the roll-out of the Ultra-Fast Broadband (UFB) fibre network, also a major government-backed initiative currently being implemented.

4.98. There have been important changes in the sector's market structure in recent years. In 2008, the incumbent operator, Telecom New Zealand was separated by law into three business units: Telecom Retail; Telecom Wholesale; and Chorus, which owns the copper-wire network. Telecom was also required to unbundle the local loop, ending any remnants of monopoly that Telecom once had in the retail market. In 2011, Telecom and Chorus demerged, each becoming a separate listed company. Telecom, which changed its name to Spark New Zealand in 2014, now owns the retail and mobile network, while Chorus owns the copper and fiber networks. The demerger enabled Chorus to successfully bid for about 70% of the government subsidised roll-out of the UFB network.

4.99. Spark New Zealand is still the major player in the fixed-line market, providing nationwide voice and broadband services over the copper-wire network. TelstraClear was the second-largest fixed-line operator until it was acquired by Vodafone New Zealand in October 2012. Vodafone now owns the cable broadband network covering much of Wellington and Christchurch and also uses unbundled copper-wire local loops (UCLL) and resale services to offer fixed-line retail services in other parts of the country. Other telecommunications retailers also access Chorus's copper lines and electronic equipment to provide broadband services. As at end-June 2013, the estimated shares of the retail fixed-line broadband market by connection were: Telecom (49%); Vodafone (32%); CallPlus (8%); Orcon (5%); and others (6%).[79]

4.100. In the mobile market, there are three network operators: Spark, Vodafone and 2degrees. The latter started operations in 2009. All three operators have 3G networks, providing voice, SMS and broadband services. In addition, Vodafone and Spark rolled out 4G networks in 2013. The three mobile network operators are also the major mobile retailers, and although there are some mobile virtual network operators, which resell services purchased from the mobile network operators, their market share is insignificant. At end June 2013, Vodafone had 42% of total mobile connections, followed by Telecom (33%), and 2degrees (25%).[80]

[77] 2013 data in this paragraph are based on Commerce Commission (2014).
[78] The OECD average broadband penetration is 26.7%. New Zealand ranks 15 out of 34 OECD countries.
[79] Commerce Commission (2014).
[80] Commerce Commission (2014).

4.5.3.2 Regulatory regime

4.101. The telecommunications sector is governed by the Telecommunications Act 2001 and associated regulations. The Act regulates the supply of certain telecommunication services with the purpose of promoting competition in telecommunications markets for the long-term benefit of end-users. Important amendments were made to the regulatory regime with the passage of the Telecommunications Amendment Act 2006, which included the operational separation of the incumbent Telecom; the introduction of new regulated services (e.g. unbundled local loops[81]), and the requirement that Telecom upgrade its network. Further amendments were made through the Telecommunications (TSO, Broadband, and Other Matters) Amendment Act 2011, which facilitated the structural separation of Telecom and Chorus, allowing the latter to participate in the UFB roll-out. As part of structural separation, Chorus was prohibited from providing retail services and required to enter into undertakings to provide wholesale services on a non-discriminatory basis.

4.102. There are no restrictions on foreign investment in private telecommunications firms, other than the provisions of the Overseas Investment Act 2005 (section 2). However, the Constitution of Chorus provides that no person who is not a New Zealand national shall have more than 49.9% of the total voting shares of Chorus without the prior written approval of the Crown, and at least half of the board of directors must be New Zealand citizens. There are no-company specific restrictions on investment in Spark New Zealand.

4.103. New Zealand does not impose licensing requirements for entry into the telecommunications business market and control over retail prices is minimal. On the other hand, there is a comprehensive regime regulating conditions for access to networks (although the conditions are less intrusive for new technologies like the UFB network) and Chorus and other UFB network providers are prohibited from providing retail services.

4.104. The Commerce Commission is responsible for overseeing competition in the telecommunications market and regulating certain telecommunication services. It has a range of regulatory tools, as provided for under the Act. It can recommend that services be regulated or deregulated. The Commission may also set the terms and conditions (including prices) for regulated services through Standard Terms Determinations. It also has powers to: request that industry-wide services (e.g. number portability) be made available; impose information disclosure requirements; and enforce structural remedies such as separation.

4.105. Some regulatory functions are shared between the Commerce Commission, other government departments and the industry. The Minister for Communications can accept or reject the Commission's recommendations as to whether a service should be regulated or deregulated, and transmit a "statement of economic policy" to which the Commission must have regard. The Ministry of Business, Innovation and Employment also provides policy advice on the regulatory environment for the telecommunications sector. The industry, acting through the New Zealand Telecommunications Forum (TCF), has the statutory function to develop telecommunications access codes for regulated services, which once approved by the Commerce Commission become binding on all industry (regulated codes). TCF is also involved in developing industry standards and voluntary codes of practices, and facilitates dialogue on industry issues of common interest.

4.106. Upgrading the telecommunications infrastructure is crucial for realizing the services trade opportunities that Internet offers and for mitigating the costs of New Zealand's remoteness from world markets. Hence, a cornerstone of the New Zealand Government telecommunications policy over the past few years is the UFB initiative, aimed at rolling out ultra-fast-broadband network to 75% of the population by 2020, giving priority to businesses, schools and health services.[82] The project is in large part funded by the Government (NZ$1.35 billion), with the participation of Chorus and three other local fibre companies, which have been selected through a tender procedure. By the end of 2014, over 570,000 end users were able to connect to the fibre network.

[81] Other regulated services are Unbundled Copper Low Frequency; Unbundled Bitstream Access; Mobile termination Access; and Mobile Co-location.

[82] The Government is now considering options for extending the UFB to cover 80% of the population.

This is expected to increase to 1.34 million by 2020, while access to data should be ten times faster than with current technology.[83]

4.107. The transition from the traditional copper-wire network to a new fibre-optic network raises a number of regulatory issues. Therefore, the regulatory framework for telecommunications, including the Telecommunications Act 2001, is being reviewed.[84] The review will focus on the optimal framework for regulation after the completion of the fibre network in 2020, and will consider how best to set access prices under the framework.

4.108. The Rural Broadband Initiative (RBI) is another key Government initiative aimed at delivering improved broadband access to 86% of rural communities by June 2016. RBI is being implemented by Chorus and Vodafone. Chorus is laying the fiber-optic network to rural schools, hospitals and libraries and installing infrastructure equipment in exchange areas so that retail service providers can connect the end-users; while Vodafone is providing a wireless broadband service to rural communities using the backbone fiber-optic network. At 30 June 2014, about 3,100 km of fiber-optic had been laid in rural areas. The rollout has brought new or upgraded broadband coverage within reach of 230,000 users.[85]

4.109. The Telecommunications Development Levy (TDL) was introduced in 2011, through an Amendment to the Telecommunications Act 2001. The levy is applied to some telecommunications companies to provide funding for telecommunications services that are in the public interest but would otherwise be unaffordable. Currently, the TDL is set at NZ$50 million per year until 2016/17 when it will be reduced to NZ$10 million. The Commerce Commission determines the amount of levy paid by individual telecommunications companies, on the basis of their market shares.

4.5.3.3 Prices

4.110. Average retail prices for telecommunications services have showed only small decreases over the review years, and some of them remain higher than OECD averages (Box 4.2). In the fixed-line segment, there has been a drop in the average price of national calls (from 10 NZ cents per minute in 2008/09 to about 7.5 NZ cents per minute in 2012/13), apparently on the back of various free national calling offers included in monthly bundle prices.[86] In fixed-to-mobile calling the average price dropped from about 32 NZ cents to 23 NZ cents per minute over the same period. This may be partly explained by the August 2010 decision of the Minister for Communications to regulate mobile termination rates in order to improve market competition and lower the prices for mobile phone users. However, according to the Commerce Commission, the operators' margin on fixed-to-mobile calls remains high, because the regulated mobile termination rate (which represents the main cost input) fell to 3.72 NZ cents per minute in April 2013, while the average price on calls remains at 23 NZ cents per minute.

4.111. In the mobile sector, there is a converging trend in the average price of calls between users on different networks (off-net calling) and users on the same network (on-net calling), with the price of off-net mobile calls dropping faster than the price of on-net calls.[87] There is even a clearer convergence in the average price of on-net and off-net text messaging (SMS). Competition in the delivery of mobile broadband has pushed down the average retail price of mobile data from more than 20 NZ cents per MB in 2008/09 to 7 NZ cents per MB in 2012/13, but the rate of the decrease has slowed in the last three years.

4.112. In March 2013, the Prime Ministers of New Zealand and Australia announced an agreement on a joint regulatory approach in response to historically high costs of trans-Tasman mobile roaming. It is proposed that the New Zealand Commerce Commission and the Australian Competition and Consumer Commission will collect data and report regularly on wholesale and retail trans-Tasman mobile roaming services. Both Commissions would also gain new powers to intervene in the market if necessary, and legislation to enable these changes is being prepared.

[83] Downloading speed will be at least 100 Mbps (megabits per second).

[84] Under the Telecommunications Act, the Minister of Communication and Information Technology is required to commence a review of the regulatory framework no later than 30 September 2016.

[85] Information provided by the New Zealand authorities.

[86] Commerce Commission (2014).

[87] Commerce Commission (2014).

Box 4.2 New Zealand: retail prices for fixed-line phone and broadband services

The Commerce Commission released its third report benchmarking New Zealand retail prices for fixed-line phone and broadband services against international prices. The Report showed that:

- Most customers buy broadband together with phone services in a bundle;
- Prices for a bundle with 60GB of data had dropped 14% over two years;
- However, these bundles were still priced 30% higher than the OECD average;
- Prices for a 60GB naked broadband plan had dropped 41% in two years and were 4% less than the OECD average. However, these prices were available only to subscribers with an on-account mobile plan with the same provider; and
- Prices for fixed-line voice services purchased without broadband continued to be considerably higher than the OECD average for an average customer, but lower than average for heavy users of voice services.

Source: New Zealand Commerce Commission (2014), *Annual Telecommunications Monitoring Report 2013*, May.

4.5.4 Transport

4.5.4.1 Overview

4.113. Given New Zealand's distance from world markets, the transport sector is crucial for the country's participation in international merchandise trade, and is an important enabler of economic growth. The "transport, postal and warehousing" sector accounts for 5% of GDP and employs more than 85,000 people (end-2013).[88] Almost all New Zealand's overseas trade, by volume, is carried by sea; while airfreight accounts for 13.3% of exports and 20.5% of imports, in value terms.[89]

4.114. The Ministry of Transport is the main agency providing expert advice to the Government in all transport-related matters, including legislative, regulatory, policy and funding issues. The Ministry represents the Government's transport interests in international fora, and oversees the performance of four Crown entities with transport functions: the Civil Aviation Authority, Maritime New Zealand, NZ Transport Agency (land transport)[90], and the Transport Accident Investigation Commission. In addition, three state-owned enterprises have transport-related functions[91], while local authorities are primarily responsible for road networks and public transport services, and some of them own seaports and airports, or share ownership with the Crown.

4.115. In 2011, the Government issued "Connecting New Zealand", a document that summarizes the broad policy direction for the transport sector.[92] The overall objective is to achieve an effective, efficient, safe, secure, accessible and resilient transport system that supports New Zealand's growth and delivers prosperity to its citizens. Three key themes set the direction for the development of the transport system for the years 2011-21: economic growth and productivity; value for money; and road safety.[93] Connecting New Zealand refers to all transport modes, but makes emphasis on land transport, recognizing its essential role both in the domestic context and in enabling connectivity with air and sea ports, crucial for the country's international trade.[94] Freight transport costs account for a sizeable proportion of international trading costs for New Zealand companies. In 2012, the Productivity Commission produced a report on the

[88] Ministry of Transport (2013).
[89] Ministry of Transport (2014c).
[90] In August 2008, Transit New Zealand and land transport New Zealand merged to form the New Zealand Transport Agency.
[91] Airways Corporation of New Zealand Limited, New Zealand Railways Corporation and Meteorological Services of New Zealand Limited.
[92] The New Zealand Transport Strategy 2008, released by the previous Government, has been largely superseded by Connecting New Zealand. The latter draws from a number of policy decisions, including the National Infrastructure Plan, the Government Policy Statement on Land Transport Funding, and the Safer Journeys: New Zealand's Road Safety Strategy.
[93] New Zealand Government (2011).
[94] A total of NZ$36 billion are expected to be invested in land transport over the years 2011-21.

performance of international freight transport services in New Zealand and made a number of recommendations.[95]

4.5.4.2 Air transport services and airports

4.116. New Zealand has five airports receiving scheduled international air services and 28 regional airports. Auckland International Airport is New Zealand's busiest airport, with total passenger movements totalling 14.8 million in 2013, followed by the international airports of Christchurch and Wellington (with over 5 million each). New Zealand airports moved NZ$6.5 billion of exports or 13% of the total value of merchandise exports in 2013, and carried 2.8 million international visitors.[96]

4.117. New Zealand's international airports are autonomous companies with both private and public ownership; while regional airports are either companies owned by local authorities or joint ventures between local authorities and the Crown (central government). The Crown has minority shareholdings in Christchurch International Airport (25%)[97] and other international and regional airports.[98] There are no full-privately owned international airports.

4.118. The air transport sector is subject to the provisions of the Overseas Investment Act 2005. No specific restrictions apply on foreigners providing airport services and airport auxiliary services, or computer reservation system services.

4.119. Under the Airport Authorities Act 1966, local authorities and companies may be conferred airport authority status and powers for establishing and operating airports. As amended in 1997, the Airport Authorities Act requires all airport companies to consult with their airline customers on charges and major capital expenditures, and disclose certain financial information.[99] To prevent potential abuse of monopoly power at the three major airports, the Commerce Amendment Act 2008 subjected specified airport services[100] at the Auckland, Wellington and Christchurch airports to additional information disclosure requirements (including on prices) under the Commerce Act (Part 4).[101] The Commerce Commission was required to report to the Ministers of Commerce and Transport as to how effectively information disclosure regulation is promoting the purposes of the Commerce Act in respect of specified airport services. The Commission completed its reports on the above three airports in 2014. The next step is for the Minister of Transport and the Minister of Business, Innovation and Employment to respond to the Commission's reports.[102]

4.120. The Civil Aviation Act 1990 sets out provisions governing the airports jointly owned by the local authorities and the Crown. No major changes have been introduced to airport legislation since 2009. However, both the Civil Aviation Act 1990 and the Airport Authorities Act 1966 are currently being reviewed with the purpose of clarifying and updating their provisions. The results of this review and the responses of the relevant Ministers to the Commerce Commission's reports on the three major airports may lead to changes to the legal framework for the economic regulation of airports. Another key aspect of the review is to determine whether the competition regime for international air services should remain under the Civil Aviation Act or be moved to the Commerce Act. Any changes arising from the review are likely to come into effect in 2017.

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[95] The New Zealand Productivity Commission is an independent Crown entity that provides advice to the Government on productivity matters. Its report on International Freight Transport Services is available at: http://www.productivity.govt.nz/sites/default/files/FINAL%20International%20Freight%20Transport%20Services%20PDF%20with%20covers_1_0.pdf.

[96] Civil Aviation Authority of New Zealand (2014).

[97] Ministry of Transport online information. Viewed at: http://www.transport.govt.nz/air/.

[98] National Infrastructure Unit online information. Viewed at: http://www.infrastructure.govt.nz/plan/mar2010/39.htm.

[99] Airport Authorities (Airport Companies Information Disclosure) Regulations 1999.

[100] These are aircraft and freight activities, airfield activities, and certain passenger terminal activities.

[101] Airports must disclose information annually on their financial performance and quality of airport services. They also must disclose information on their price setting framework, pricing methodology, and an explanation of the extent to which the application of their pricing leads to efficient prices.

[102] Reports can be consulted at: http://www.med.govt.nz/business/competition-policy/part-4-commerce-act/airport-regulation/effectiveness-information-disclosure-regulation/effectiveness-of-information-disclosure-regulation-for-major-international-airports-discussion-document.pdf-1.

4.121. There are two New Zealand-based international airlines: Air New Zealand, the national flag carrier; and Virgin Australia Airlines, a subsidiary of Virgin Australia (NZ) Ltd.[103] At end-January 2015, there were 24 foreign airlines operating aircraft to and from New Zealand, and an additional 21 airlines serving New Zealand on a code-sharing basis.[104] The Crown holds a 52.3% stake (reduced from 73% in November 2013) in Air New Zealand. It also holds a preferential "Kiwi share", which enables the Government to impose a 10% cap on individual foreign shareholdings in the national airline, in order to maintain substantial ownership and effective control of Air New Zealand. At present, government policy is that the New Zealand Government will continue to own at least 51% of the shares in Air New Zealand. The Crown also holds 100% ownership of Airways Corporation of New Zealand Limited, which is the sole provider of air navigation and air traffic management services in the country.

4.122. Under the Civil Aviation Act 1990, an airline wishing to operate a scheduled international air service to or from New Zealand is required to hold a scheduled international air service licence or an open aviation market licence. The latter is applicable only for scheduled services between New Zealand and countries/territories specifically designated by the Minister of Transport.[105] No economic licences are required for domestic air services.

4.123. An application for a scheduled international air services licence must be submitted to the Secretary of Transport.[106] To qualify for a licence, an applicant airline must have been designated by its Government according to the provisions of the ASA between that Government and the Government of New Zealand. In addition, an applicant may be required to provide evidence of the nationality of the control of the airline, and either evidence of the nationality of its ownership or its principal place of business and place of incorporation. To comply with safety and security requirements, an applicant must also obtain a foreign air operator certificate (FAOC) from the Director of the Civil Aviation Authority. Under a mutual recognition agreement with Australia, New Zealand and Australian airlines do not need to hold safety certifications from both countries' civil aviation authorities.

4.5.4.2.1 Air services agreements

4.124. New Zealand has one of the world's most liberal international air transport policies as it seeks to improve its connectivity to the rest of the world. During the review period, New Zealand's Ministry of Transport renegotiated existing air services agreements (ASAs) and negotiated new ones in order to reduce barriers to competition on international air routes to and from New Zealand.

4.125. As at 30 June 2014, New Zealand had ASAs with 62 partners across all continents (46 in March 2008) (Table A4.2).[107] Over 30 of these are open skies agreements, with no restrictions on routes, traffic rights, or capacity, and no requirement to seek authorisation of tariffs. New Zealand is also a signatory of the Multilateral Agreement for Liberalization of International Air Transportation (MALIAT), a multilateral open skies air services agreement, which came into force in December 2001 and, unlike other ASAs, is open to accession by other parties.[108] In general, New Zealand's ASAs seem to have succeeded in increasing the number of foreign airlines operating international services to and from New Zealand, although competition on domestic routes is still limited.[109]

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[103] In January 2015, Virgin Australia commenced the integration of its New Zealand operations with its international division. Throughout the early part of 2015, the airline will transfer all of its aircraft onto the Australian registry, where they will be operated under Virgin Australia International's Air Operators Certificate.

[104] Ministry of Transport online information. Viewed at: http://www.transport.govt.nz/air/international airservices/internationalairlinelicensing/internationalairlinesservingnewzealand/.

[105] Currently, these are Australia, Brunei, Chile, the Cook Islands, Luxembourg, Malaysia, Samoa, Singapore, Tonga, the United Arab Emirates, and the United States.

[106] The requirements for a licence can be found at Ministry of Transport online information. Viewed at: http://www.transport.govt.nz/air/internationalairservices/internationalairlinelicensing/foreigninternationalairlines-scheduledinternationalairservicelicences/.

[107] ASAs with 12 partners had been negotiated but were not yet formally in place as at 30 June 2014.

[108] Currently, the parties to the MALIAT are Brunei, Cook Islands, Chile, New Zealand, Singapore, Samoa, Tonga and the United States. Mongolia participates for cargo only.

[109] COVEC (2013).

4.126. As stated in its international air transport policy (2012-17), New Zealand will continue to negotiate new ASAs to improve its connectivity and facilitate increased trade in goods and services (including tourism). Its preferred option is to conclude reciprocal open skies agreements[110], and when this is not feasible, to put in place the most open agreements possible, while ensuring that New Zealand-based airlines have equal opportunities to offer services in other Parties' home markets. The current policy removed foreign ownership limits for designation of a New Zealand airline (other than Air New Zealand), which were set at 25% by a single foreign airline and 35% by foreign airlines in total. The Government will also consider, on a case-by-case basis, designating New Zealand-based airlines whose ownership and control structure is consistent with relevant bilateral arrangements, or where the risk of operating authorizations not being accepted by the other Party is small. A more liberal designation policy for cargo-only airlines is also considered.[111]

4.5.4.3 Maritime transport and ports

4.127. Virtually all New Zealand foreign trade, by volume, is moved by maritime transport. In the twelve-month period ending June 2014, exports carried by sea amounted to 38.3 million tonnes, of which 70.5% was bulk cargo and the rest containerized cargo.[112] Sea imports and exports combined were worth NZ$85.2 billion.[113]

4.128. New Zealand has 14 commercial sea ports, most of which are managed by companies owned by local authorities. The Port of Tauranga (North Island) is by far the largest port for exports of bulk and containerized cargo. Ports of Auckland (North Island) is the leader in containerized imports, while North Port (North Island) mainly handles bulk oil imports for the adjacent Marsden Point oil refinery. Some 30 international and regional shipping lines call at New Zealand's ports.

4.129. Coastal shipping accounts for approximately 14% of New Zealand's freight task, and is operated by both local and international shipping companies.[114] Under the Maritime Transport Act 1994, three categories of ships are allowed to carry coastal cargo: (i) New Zealand ships; (ii) foreign ships passing through New Zealand to unload import cargo or load export cargo; and (iii) overseas-registered ships operated or controlled by a New Zealand entity, provided that the crew is subject to national law.[115] Any other foreign ships are not allowed to carry coastal cargo unless they receive authorization to do so, provided that no New Zealand ship or foreign ship in an international voyage is available.

4.130. Port access is subject to the provisions of the Commerce Act 1986 (the general competition law). Any discrimination in port services that could lead to a distortion reducing competition may be investigated by the Commerce Commission.

4.131. International shipping is currently exempt from the Commerce Act. The Shipping Act 1987 seeks to promote fair competition in international shipping and contains provisions for monitoring carriers who incur in unfair practices, but it also provides for an exemption allowing price-fixing and capacity-limiting in international shipping agreements.[116] The Shipping Act is considered as ineffective in regulating competition in this sector. Therefore, the Commerce (Cartels and Other Matters) Bill currently before Parliament seeks to apply the Commerce Act to international shipping, thereby removing the exemption for price-fixing and capacity-limiting agreements.[117]

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[110] New Zealand seeks open skies agreements that provide for: no restrictions on routes, capacity or traffic rights, including 7th freedom and cabotage rights (8th and 9th freedom); no regulation of tariffs (except to prevent anti-competitive behaviour); liberal arrangements for granting authorisations following receipt of designation); and provisions for regulatory cooperation by civil aviation authorities.

[111] Ministry of Transport online information, *International air transport policy statement*. Viewed at: http://www.transport.govt.nz/air/iatrpolicystatement.

[112] In terms of value, exports carried by sea added up to NZ$39 billion; of which containerized cargo represented 80.1%.

[113] Ministry of Transport (2014a).

[114] Ministry of Transport (2014b).

[115] Maritime Transport Act, Section 198(1).

[116] The original rationale for this exemption was to prevent price instability and destructive competition.

[117] This is in fact one of the recommendations made in the report of the Productivity Commission on International Freight Transport Services.

4.132. New Zealand-owned ships (i.e. ships that are majority or entirely owned by New Zealand nationals[118]) must be registered under the Ship Registration Act 1992. Foreign persons are only allowed to register a ship under the country's flag in co-ownership with a majority of New Zealand nationals. When the ship is subject to shareholding, more than half of the shares in the ship must be owned by one or more New Zealand nationals.[119] At end 2014, 14 merchant ships were registered under New Zealand's flag: four oil tankers, four bulk carriers, two containerships, and four passenger/freight ferries).

4.133. Maritime New Zealand, a Crown entity, is responsible for developing and monitoring rules and standards for safety, security and environmental matters in maritime transport, under the Maritime Transport Act 1994. The entity is also responsible for implementing the Maritime Security Act 2004, administering the New Zealand Register of Ships and ensuring compliance with international maritime and marine environment protection conventions.[120]

4.134. Safety services are funded through the maritime levy applied to all commercial ships and collected by Maritime New Zealand. Levy rates vary according to vessel type and service category. Ships operating in domestic trade are charged on an annual basis (due to high port calls); ships operating in international services are levied by voyage.[121] In 2013, the rates were reduced for all ship categories: those for ships operating in international services will be reduced gradually by 24% over the period 2014-20.

4.135. The Port Companies Act 1988 established the port companies that operate 12 of New Zealand's 14 seaports. It specifies governance, reporting and directorship requirements for these port companies. The Act does not impose any limitation on the acquisition or holding of port company shares by private national or foreign persons; but acquisitions by overseas persons above the specified threshold would need prior consent under the Overseas Investment Act. Private companies may also undertake auxiliary services activities in sea port areas. So far, however, private shareholding in seaports companies remains limited: eight of the 12 port companies are entirely owned by local authorities and in the remaining four private ownership accounts for less than 50%. Indeed, the absence of major international port operators reflects this ownership and management structure, whereby port companies majority or entirely-owned by local governments typically follow an owner/operator model.[122]

4.136. Port productivity is crucial to compensate for New Zealand's geographical disadvantage of being far away from major economic hubs. In 2010, an independent study found that New Zealand's port ownership structure might have hindered productivity as well as the entry of experienced international port operators.[123]

4.137. In 2012, the New Zealand Productivity Commission undertook an inquiry about the factors influencing the accessibility and efficiency of international freight transport services for New Zealand firms. In its final report, the Commission recommended improved reporting on port productivity and on competition between port companies. The Government accepted the Commission's advice to expand the measures of port productivity that are regularly published by the Ministry of Transport.[124] In terms of ownership, the Commission recommended that local authorities (Councils) should choose the minimum level of council ownership that offered them the required control rights to achieve the objectives they wish to pursue through port ownership, and that Councils should consider landlord port models.[125] The Commission also recommended strengthening the competition framework for international freight services.

[118] Permanent residents as well as citizens are considered New Zealand nationals.
[119] Maritime New Zealand online information. Viewed at: http://www.maritimenz.govt.nz/Publications-and-forms/Commercial-operations/Ship-registration/A-guide-to-Ship-Registration.pdf.
[120] Maritime New Zealand online information. Viewed at: http://www.maritimenz.govt.nz/Publications-and-forms/Maritime-NZ-corporate-publications/MNZ-statement-of-intent-2014-2020.pdf.
[121] The levy rates are available online at: http://www.maritimenz.govt.nz/About-us/Fees-levies/MSC/.
[122] A bid by Hutchison Whampoa of Hong Kong, China to acquire Lyttleton Port failed in 2006.
[123] New Zealand Institute for Economic Research (2010).
[124] New Zealand Productivity Commission (2012).
[125] The Government noted that this was a recommendation for local authorities to consider. In the Government's view, if the fundamentals of good governance were in place, and port companies focused on their commercial objectives, then the issue of ownership was less relevant.

4.5.5 Tourism

4.138. Tourism is an important service industry in New Zealand and often seen as a role model for tourism sectors worldwide. In the year ending March 2014, tourism directly contributed NZ$8.3 billion, or 4% to GDP. The indirect value added of industries supporting tourism generated an additional NZ$6.5 billion for tourism, or 3.1% of GDP.[126] The sector created 94,100 full-time equivalent jobs or 4.7% of total employment. International tourism expenditure amounted to NZ$10.3 billion in the year ended March 2014, accounting for 15.3% of total exports of goods and services, second only to dairy products. Significant tax revenues come from the GST on tourism, with tourist generating NZ$1.8 billion in GST revenue in 2014.[127] International visitor arrivals to New Zealand in the year ended March 2014 reached 2.75 million people (a compound annual growth rate of 2.8% between 2009 and 2014). The largest inbound tourism markets are Australia, China, the United States, and the United Kingdom.

4.139. There are no specific restrictions on foreigners supplying tour guide services, travel agencies and tour operator services, apart from normal immigration requirements. Foreign investment in tourism is subject to the provisions of the Overseas Investment Act 2005.

4.140. New Zealand has no tourism-specific legislation[128]; however the industry is supported by a robust institutional framework and important public investment. Total public funding for tourism for fiscal year 2013/2014 was NZ$129 million.[129] The Tourism Policy Team, within the Ministry of Business, Innovation and Employment, is responsible for advising the Government on the appropriate settings to foster productivity, growth and the contribution of tourism to the economy. Other government initiatives are the creation of the Tourism Growth Partnership to invest in projects that boost innovation and productivity in the tourism sector; the Canterbury Tourism Partnership to support tourism recovery in the aftermath of the 2010 and 2011 earthquakes; and measures to facilitate visas and travel arrangements for visitors from China, a fast growing inbound tourism market.

4.141. Tourism New Zealand (a Crown entity) is in charge of promoting New Zealand abroad as a high-value tourist destination. A major aspect of its tourism marketing strategy, "100% Pure New Zealand", is to rely upon "leveraged events" in order to capitalize promotion of the country via global attention-drawing events. Events under this strategy have included the 2011 Rugby World Cup, the 2015 ICC Cricket World Cup and the 2015 FIFA U-20 World Cup, as well as the promotion related to the making of the Lord of the Rings and Hobbit movies in the 2000s. Since then, film-making has become an emerging industry, with more than 50 feature films located in the country between 2010 and 2013.

4.142. Local governments are actively involved in tourism development through regional tourism organizations (RTOs). The private sector supports RTOs and is extensively organized in lodging, restaurant and tour-guide associations.

[126] Statistics New Zealand online information. Viewed at: http://www.stats.govt.nz/browse_for_stats/industry_sectors/Tourism/tourism-satellite-account-2014.aspx.

[127] Statistics New Zealand online information. Viewed at: http://www.stats.govt.nz/browse_for_stats/industry_sectors/tourism/tourism-satellite-account-2014/Tourism_value_added.aspx.

[128] Some regulatory arrangements are in place to manage safety in the adventure tourism sector.

[129] OECD (2014).

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5 APPENDIX TABLES

Table A1. 1 Merchandise exports by product groups, 2009-14

	2009	2010	2011	2012	2013	2014
Total exports (US$ billion)	24.9	30.9	37.6	37.3	39.4	42.4
	(% of total)					
Total primary products	69.7	72.0	73.0	72.8	74.9	75.7
Agriculture	61.8	63.3	64.0	64.6	68.2	69.6
Food	52.4	53.0	53.5	53.9	56.2	58.5
0222 Milk concentrated or sweetened	10.8	13.2	14.6	14.9	18.1	18.4
0121 Meat of sheep or goats	7.3	6.3	6.3	5.7	5.7	6.0
0230 Butter and other fats and oils derived from milk	3.8	5.0	5.2	4.3	4.6	5.2
0112 Bovine meat, frozen	3.9	3.8	3.8	3.9	3.8	4.4
1121 Wine of fresh grapes (including fortified wine)	2.6	2.5	2.4	2.6	2.6	2.7
0249 Other cheese; curd	2.8	2.6	2.3	2.6	2.4	2.5
0579 Fruit, fresh, dried, n.e.s.	2.9	2.5	2.5	2.6	2.0	2.4
0989 Food preparations, n.e.s.	3.0	2.5	2.4	2.4	2.6	2.4
0224 Whey, milk products n.e.s.	1.4	1.4	1.5	1.6	1.3	1.4
0574 Apples, fresh	1.0	0.8	0.8	0.8	1.0	1.0
0342 Fish, frozen (excluding fillets and minced fish)	1.0	0.8	0.8	1.0	0.8	0.8
Agricultural raw material	9.4	10.3	10.5	10.7	12.0	11.1
2474 Wood, of coniferous, in the rough or roughly squared	2.4	3.1	3.4	3.4	4.9	4.5
2482 Wood of coniferous, sawn of a thickness > 6 mm	1.8	1.9	1.6	1.7	1.7	1.5
2682 Other wool, unprocessed	0.8	0.9	1.1	1.0	0.9	1.0
2919 Other animal materials, n.e.s.	0.8	0.6	0.7	0.8	0.8	0.7
Mining	8.0	8.7	9.0	8.2	6.8	6.1
Ores and other minerals	0.9	1.0	1.0	1.1	0.9	0.7
Non-ferrous metals	2.3	3.0	2.9	2.4	2.3	2.3
6841 Aluminium and aluminium alloys, unwrought	1.7	2.2	2.2	1.8	1.7	1.7
Fuels	4.8	4.7	5.2	4.8	3.6	3.2
3330 Crude oils of petroleum and bituminous minerals	4.4	4.5	4.6	4.0	3.0	2.7
Manufactures	25.6	22.9	22.0	22.3	20.5	19.9
Iron and steel	1.1	1.0	1.0	1.0	0.9	0.7
Chemicals	5.5	4.4	4.4	5.0	4.9	5.0
5922 Albuminoidal substances, modified starches and glues	2.7	2.1	2.2	2.6	2.6	2.9
Other semi-manufactures	4.7	4.5	4.3	4.2	3.9	3.8
Machinery and transport equipment	9.0	8.0	7.9	7.5	6.4	6.2
Power generating machines	0.3	0.3	0.3	0.3	0.3	0.3
Other non-electrical machinery	3.1	3.0	2.9	2.9	2.5	2.6
Agricultural machinery and tractors	0.5	0.5	0.5	0.6	0.5	0.5
Office machines & telecommunication equipment	1.4	1.2	1.2	1.1	1.0	0.9
Other electrical machines	1.6	1.6	1.6	1.6	1.5	1.2
Automotive products	0.6	0.5	0.5	0.5	0.5	0.4
Other transport equipment	2.0	1.5	1.4	1.0	0.7	0.8
Textiles	0.9	0.9	0.8	0.7	0.6	0.6
Clothing	0.6	0.6	0.5	0.5	0.6	0.6
Other consumer goods	3.8	3.5	3.1	3.4	3.2	3.0
Other	4.6	5.1	5.0	5.0	4.5	4.4
Gold	1.6	1.4	1.3	1.3	1.1	0.8

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1. 2 Merchandise imports by product groups, 2009-14

	2009	2010	2011	2012	2013	2014
Total imports (US$ billion)	25.6	30.2	36.1	38.2	39.6	43.3
	(% of total)					
Total primary products	27.8	29.0	31.2	31.1	30.2	28.5
Agriculture	11.4	11.2	11.4	11.3	11.4	11.6
Food	10.7	10.6	10.8	10.6	10.7	10.9
0813 Oil-cake, oilseed residues	0.4	0.8	0.9	0.8	1.0	1.3
0989 Food preparations, n.e.s.	1.0	1.0	1.0	1.1	1.2	1.1
0819 Food waste, animal feeds n.e.s.	0.5	0.5	0.5	0.5	0.5	0.5
Agricultural raw material	0.7	0.6	0.6	0.6	0.7	0.7
Mining	16.4	17.8	19.7	19.8	18.9	16.9
Ores and other minerals	1.0	1.5	1.5	1.3	1.2	1.1
Non-ferrous metals	0.9	1.0	1.0	0.9	0.8	0.8
Fuels	14.6	15.3	17.3	17.7	16.9	15.0
3330 Crude oils of petroleum and bituminous minerals	7.3	9.5	11.6	12.1	11.1	9.3
Manufactures	71.4	69.9	67.8	68.0	68.8	70.7
Iron and steel	1.5	1.5	1.5	1.4	1.4	1.3
Chemicals	11.8	11.7	11.5	11.1	10.8	10.4
5429 Medicaments, n.e.s.	1.9	1.7	1.6	1.5	1.3	1.3
5621 Mineral or chemical fertilizers, nitrogenous	0.5	0.6	1.0	0.8	0.7	0.6
5711 Polyethylene	0.5	0.6	0.5	0.5	0.5	0.6
5822 Other plastics, flat shapes, non-cellular and not reinforced, etc.	0.5	0.6	0.5	0.5	0.5	0.5
Other semi-manufactures	7.7	7.6	7.3	7.0	7.0	6.8
Machinery and transport equipment	34.2	33.3	32.8	33.7	35.0	37.9
Power generating machines	2.0	1.2	1.6	1.7	1.3	1.5
7149 Parts of engines and motors of 714.41 and 714.8	0.4	0.2	0.7	0.6	0.8	0.9
Other non-electrical machinery	7.2	6.9	7.1	7.7	7.7	8.1
7232 Mechanical shovels, etc., self-propelled	0.2	0.4	0.5	0.6	0.6	0.7
Agricultural machinery and tractors	1.1	0.9	1.0	1.3	1.2	1.4
7224 Wheeled tractors (other than of 744.14 and 744.15)	0.5	0.4	0.4	0.6	0.5	0.7
Office machines & telecommunication equipment	8.7	8.5	8.3	7.8	7.7	7.0
7522 Data processing machines, with at least processing, imput and output units	1.1	1.4	1.4	1.5	1.5	1.4
7643 Radio or television transmission apparatus	1.0	0.8	1.1	1.2	1.3	1.2
Other electrical machines	3.9	3.7	3.7	3.6	3.6	3.4
Automotive products	7.0	9.2	7.8	9.9	11.0	11.9
7812 Motor vehicles for the transport of persons, n.e.s.	4.9	6.7	5.5	7.0	7.7	8.0
7821 Goods vehicles	1.1	1.5	1.4	1.8	2.1	2.8
7843 Other motor vehicle parts and accessories of 722, 781 to 783	0.7	0.7	0.6	0.7	0.7	0.7
Other transport equipment	5.3	3.8	4.3	2.9	3.8	6.0
7924 Aeroplanes, etc. (excl. helicopters), >15,000 kg unladen	2.3	0.8	1.1	0.5	0.5	2.6
7929 Parts, n.e.s., (excl. tyres, engines, electrical parts) of 792	1.1	0.7	1.1	0.6	0.6	0.6
Textiles	1.7	1.7	1.6	1.6	1.6	1.6
Clothing	3.2	3.2	3.1	3.0	3.0	2.9
Other consumer goods	11.2	10.7	9.9	10.1	10.0	9.7
8722 Instruments used in medical, surgical or veterinary sciences	0.9	0.8	0.7	0.7	0.7	0.7
Other	0.7	1.1	1.0	0.9	0.9	0.8
Gold	0.2	0.2	0.2	0.1	0.1	0.1

Source: UNSD, Comtrade database (SITC Rev.3).

Table A1. 3 Merchandise exports by destination, 2009-14

	2009	2010	2011	2012	2013	2014
Total exports (US$ billion)	24.9	30.9	37.6	37.3	39.4	42.4
	(% of total)					
America	14.4	13.1	12.9	13.5	12.8	13.2
United States	10.0	8.6	8.4	9.2	8.5	9.4
Other America	4.4	4.5	4.5	4.3	4.3	3.8
Canada	1.3	1.1	1.3	1.2	1.1	1.2
Europe	14.4	12.0	11.7	10.4	10.3	10.6
EU(28)	13.0	11.0	10.7	9.5	9.3	9.6
United Kingdom	4.3	3.5	3.2	3.0	2.9	3.1
The Netherlands	1.2	1.1	1.3	1.2	1.3	1.7
Germany	1.9	1.5	1.6	1.6	1.5	1.3
EFTA	0.3	0.3	0.3	0.2	0.3	0.3
Other Europe	1.0	0.8	0.7	0.7	0.7	0.8
Commonwealth of Independent States (CIS)	0.7	1.0	0.9	0.9	0.9	0.8
Africa	3.3	3.2	3.9	3.9	3.6	4.1
Algeria	0.7	0.5	1.0	0.9	0.6	1.2
Egypt	0.6	0.6	0.7	0.8	0.7	1.0
Middle East	3.9	4.1	4.2	4.3	3.7	4.7
United Arab Emirates	1.0	1.0	1.2	1.3	1.4	1.8
Saudi Arabia	1.2	1.4	1.4	1.5	1.1	1.5
Asia	62.5	65.5	65.3	65.8	67.7	65.5
China	9.1	11.1	12.4	14.9	20.7	19.9
Japan	7.1	7.8	7.2	7.0	5.9	5.9
Six East Asian Traders	12.7	12.4	12.2	12.2	12.3	12.6
Korea, Rep. of	3.1	3.3	3.5	3.4	3.4	3.5
Chinese Taipei	1.9	1.9	1.9	1.8	1.8	2.0
Singapore	2.8	1.9	1.7	1.8	2.1	2.0
Malaysia	1.8	1.8	1.8	1.9	1.9	2.0
Thailand	1.1	1.6	1.5	1.4	1.5	1.6
Hong Kong, China	2.0	2.0	1.7	1.9	1.6	1.5
Other Asia	33.5	34.2	33.5	31.7	28.8	27.1
Australia	23.0	23.0	22.7	21.5	19.0	17.5
Indonesia	2.4	2.1	1.8	1.8	1.8	1.9
Philippines	1.4	1.7	1.6	1.5	1.6	1.5
India	1.6	2.1	2.0	1.7	1.4	1.2
Viet Nam	0.8	1.0	0.9	1.0	1.0	1.1
Other	0.9	1.1	1.2	1.1	1.1	1.0

Source: UNSD, Comtrade database.

Table A1. 4 Merchandise imports by origin, 2009-14

	2009	2010	2011	2012	2013	2014
Total imports (US$ billion)	25.6	30.2	36.1	38.2	39.6	43.3
	(% of total)					
America	13.4	13.0	13.2	12.1	12.1	14.3
United States	10.8	10.4	10.3	9.3	9.4	11.6
Other America	2.6	2.6	2.9	2.8	2.7	2.7
Canada	1.3	1.2	1.4	1.2	1.2	1.0
Europe	18.5	15.8	16.7	16.5	17.8	18.5
EU(28)	17.3	14.7	15.6	15.5	16.7	17.5
Germany	4.2	4.1	4.2	4.4	4.6	4.8
United Kingdom	2.3	2.3	2.7	2.7	2.5	2.6
France	3.3	1.4	1.9	1.9	2.5	2.3
Italy	1.8	1.7	1.8	1.7	1.8	1.8
Spain	0.5	0.6	0.6	0.5	0.7	1.1
EFTA	1.0	0.8	0.9	0.8	0.8	0.7
Other Europe	0.3	0.3	0.2	0.3	0.3	0.3
Commonwealth of Independent States (CIS)	0.5	1.0	2.6	0.6	1.3	1.1
Russian Federation	0.5	1.0	2.5	0.6	1.2	1.0
Africa	0.9	0.9	0.7	1.0	0.9	0.7
Middle East	5.3	6.2	7.8	7.6	7.3	5.7
United Arab Emirates	1.2	2.1	1.6	0.7	2.1	1.7
Saudi Arabia	0.7	0.7	2.0	2.2	1.9	1.6
Qatar	2.3	1.9	2.2	1.1	1.2	1.1
Kuwait	0.4	0.5	1.2	0.5	0.9	1.0
Asia	60.8	62.8	59.1	62.2	60.7	59.7
China	15.1	16.0	16.0	16.3	17.1	16.9
Japan	7.4	7.3	6.1	6.5	6.4	6.7
Six East Asian Traders	14.7	16.0	15.7	17.4	17.8	18.2
Malaysia	2.7	3.6	3.2	3.9	4.2	4.6
Korea, Rep. of	3.4	3.3	3.1	3.8	4.1	4.5
Singapore	4.0	3.8	4.7	4.5	4.2	4.0
Thailand	2.6	3.2	2.9	3.2	3.4	3.4
Chinese Taipei	1.5	1.7	1.5	1.7	1.6	1.5
Other Asia	23.6	23.5	21.3	22.0	19.5	17.9
Australia	18.4	18.2	16.0	15.2	13.3	12.2
Indonesia	1.8	1.5	1.6	1.4	1.8	1.7
India	0.9	0.9	0.8	0.9	0.9	1.0
Viet Nam	0.4	0.5	0.6	0.7	1.0	1.0
Other	0.4	0.3	0.0	0.0	0.0	0.0

Source: UNSD, Comtrade database.

Table A3. 1 Overview of origin criteria for application of preferential tariff duties, 2014

	Wholly obtained or produced	Partly manufactured	Meet the requirements of a product specific rule	Direct shipment	Documentary evidence of origin	Cumulation
Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA)	Applies	n.a. (since 1 January 2012)	a) CTC; b) de minimis 10% of adjusted value; c) RVC (build-down, build-up or factory cost methods), additional or alternative to CTC; d) specific process rules, alternative to CTC	Applies (Repacking and relabelling in third country allowed)	Declaration of exporter of goods	Applies
Agreement on Trade and Economic Cooperation between New Zealand and Canada	Applies	Qualifying expenditure not less than 50% of factory or works cost of goods in finished state, may be varied by Chief Executive for specific goods	n.a.	Applies (Can apply to Chief Executive for exemption if exceptional circumstance)	a) Certificate of origin; b) Declaration of origin; or c) Other evidence sufficient to prove that the goods satisfy the relevant rules	Applies as to calculating qualifying expenditure
Malaysia-New Zealand Free Trade Agreement (MNZFTA)	Applies	n.a.	a) CTC; b) de minimis 10% of f.o.b. value, Ch. 50-69 - 10% of total weight of good; c) qualifying value content (build-down method), alternative to CTC; d) specified process rules, (additional to CTC or QVC, or) alternative to CTC	Applies (Transit must be justified for geographical, economic or logistical reasons)	a) Declaration of origin from exporter or producer; or b) Certificate of origin (not required for exports to Malaysia)	Applies

	Wholly obtained or produced	Partly manufactured	Meet the requirements of a product specific rule	Direct shipment	Documentary evidence of origin	Cumulation
United Kingdom of Great Britain and Northern Island, the Isle of Man, and the Channel Islands (Group 1)	Applies	Qualifying expenditure not less than 50% of factory or works cost of goods in finished state	n.a.	Applies (Allowed to enter commerce of other Group 1 countries) (No operations like unloading allowed) (Can apply to Chief Executive for exemption)	a) Certificate of origin; b) Declaration of origin; or c) Other evidence sufficient to prove that the goods satisfy the relevant rules	Applies as to calculating qualifying expenditure, only Group 1
Generalized System of Preferences (Less Developed Countries – Group 2)	Applies	Qualifying expenditure not less than 50% of factory or works cost of goods in finished state	n.a.	Applies (Allowed to enter commerce of other Group 2 countries) (No operations like unloading allowed) (Can apply to Chief Executive for exemption)	a) Certificate of origin; b) Declaration of origin; or c) Other evidence sufficient to prove that the goods satisfy the relevant rules	Applies as to calculating qualifying expenditure
Generalized System of Preferences (Least Developed Countries - Group 3)	Applies	Qualifying expenditure not less than 50% of factory or works cost of goods in finished state	n.a.	Applies (Allowed to enter commerce of other Group 3 countries) (No operations like unloading allowed) (Can apply to Chief Executive for exemption)	a) Certificate of origin; b) Declaration of origin; or c) Other evidence sufficient to prove that the goods satisfy the relevant rules	Applies as to calculating qualifying expenditure
South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA) - Forum Island Countries	Applies	Qualifying expenditure not less than 50% of factory or works cost of goods in their finished state; 48% possible pending specific approval from Chief Executive; 45% for specified items of clothing	n.a.	n.a.	a) Certificate of origin; b) Declaration of origin; or c) Other evidence sufficient to prove that the goods satisfy the relevant rules	Applies as to calculating qualifying expenditure, only Forum Island Countries and NZ. Australian qualifying materials can be used (Forum Island Countries content must be at least 25% of factory and works cost of goods in finished state)

	Wholly obtained or produced	Partly manufactured	Meet the requirements of a product specific rule	Direct shipment	Documentary evidence of origin	Cumulation
Agreement Between New Zealand and Singapore on a Closer Economic Partnership (ANZSCEP)	Applies	Qualifying area content (QAC): 1) No less than 40% of factory or works cost of goods in finished state; 2) None. Last process of manufacture is quality control checking and testing procedures (QCT), expenditure on QCT is not less than 50% of factory or works cost of goods calculated after completion of process of manufacture (does not apply to certain textiles or textile articles, clothing, headwear, or footwear); 3) Some. And QCT performed in SG is last process of manufacture, QCT expenditure (not less than 8% of factory or works cost of goods calculated after completion of process of manufacture) is counted in QAC, and the QAC is not less than 40% of factory or works cost of goods in finished state	n.a.	Applies (Permitted (before importation into New Zealand) to enter into the commerce of Australia only for the purpose of unloading and reloading)	Declaration of origin on the export invoice	Applies as to calculating qualifying expenditure

	Wholly obtained or produced	Partly manufactured	Meet the requirements of a product specific rule	Direct shipment	Documentary evidence of origin	Cumulation
New Zealand-Thailand Closer Economic Partnership Agreement (NZTCEPA)	Applies	n.a.	a) CTC; b) de minimis 10% of f.o.b. value; c) RVC (build-down method) not less than 50% of the export f.o.b. value, additional to CTC (Ch. 50-64); d) specific process rule (chemical reaction), alternative to CTC (Ch. 27-40)	Applies, unless Chief Executive otherwise permits either generally or in a particular case	Declaration of origin from exporter, producer or any other competent person, or public or private body, in relation to goods	Applies
Trans-Pacific Strategic Economic Partnership Agreement (TPA)	Applies (+ recovered from used goods and utilized for producing remanufactu red goods)	n.a.	a) CTC; b) de minimis 10% of transaction value; c) RVC (build-down method), additional or alternative to CTC; d) specific process rules, (additional to CTC and RVC) or alternative to CTC	Applies, unless Chief Executive otherwise permits either generally or in a particular case. Outward processing is permitted subject to meeting requirements	Declaration of origin on the export invoice or certificate of origin	Applies
New Zealand-China Free Trade Agreement (NZCFTA)	Applies	n.a.	a) CTC; b) de minimis 10% of f.o.b. value; c) RVC (build-down method), on its own, alternative or additional to CTC; d) specified process rule, additional or alternative to CTC	Applies Temporary storage for up to 6 months is allowed. (Repacking is allowed)	a) Certificate of origin issued by China's Administration of Quality Supervision, Inspection & Quarantine (AQSIQ) or designated certifying body in NZ; or b) Declaration (on invoice or any other commercial document) provided by exporter; or	Applies

	Wholly obtained or produced	Partly manufactured	Meet the requirements of a product specific rule	Direct shipment	Documentary evidence of origin	Cumulation
					c) Declaration submitted by exporter, providing reasons why goods in question qualify as of China origin	
Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)	Applies	n.a.	a) CTC; b) de minimis 10% of f.o.b. value, alternative for Ch.50-63 - 10% of total weight; c) RVC (build-up or build-down method), on its own or alternative to CTC; d) specified process rules, alternative to CTC or RVC	Applies	a) Certificate of origin issued by issuing authority/body in a party to the AANZFTA Agreement; or b) Declaration (on invoice or any other commercial document) provided by exporter in a party to AANZFTA	Applies
New Zealand-Hong Kong, China Closer Economic Partnership Agreement (NZ-HKC CEP)	Applies	n.a.	a) CTC; b) de minimis 10% of f.o.b. value; c) RVC (build-up or build-down method), on its own, additional or alternative to CTC; d) specified process rules, alternative to CTC or RVC; [e) Ch.61-62 - part-processing in PRC allowed, additional to CTC]	Applies Temporary storage for up to 6 months is allowed. (Repacking is allowed)	Goods Ch.61-62: Certificate of origin issued by Trade and Industry Department of Hong Kong, China or by a Government Approved Certification Organisation of Hong Kong, China (GACO)	Applies

	Wholly obtained or produced	Partly manufactured	Meet the requirements of a product specific rule	Direct shipment	Documentary evidence of origin	Cumulation
Agreement Between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation (ANZTEC)	Applies	n.a.	a) CTC; b) de minimis 10% of f.o.b. value; c) RVC (build-down method), alternative to CTC; d) specified process rules, alternative or additional to CTC or RVC	Applies Temporary storage for up to 6 months is allowed. (Repacking is allowed)	a) Written declaration of origin (presented in print or electronic format); b) Written certificate of origin (presented in print or electronic format); or c) Other evidence to substantiate tariff preference claimed for goods	Applies

n.a. Not applicable.

Source: NZCS online information. Viewed at: http://www.customs.govt.nz/news/resources/factsheets/Documents/Fact%20Sheet%2008.pdf.

Table A4. 1 New Zealand registered banks, June 2014

Bank	Market share (%)[a]	Ultimate parent	Country of parent
Australia and New Zealand Banking Group Limited	2.4	Branch	Australia
ANZ Bank Limited	29.8	Australia and New Zealand Banking Group Limited	Australia
Commonwealth Bank of Australia	1.0	Branch	Australia
ASB Bank Limited	16.2	Commonwealth Bank of Australia	Australia
Bank of New Zealand	18.0	National Australia Bank	Australia
Bank of Baroda (New Zealand) Limited	0.0	Bank of Baroda	India
Bank of China (New Zealand) Limited[b]	0.0	Bank of China	China
Bank of India (New Zealand) Limited	0.0	Bank of India	India
Citibank N.A.	0.6	Branch	United States
China Construction Bank (New Zealand) Limited[c]	0.0	China Construction Bank	China
Deutsche Bank Aktiengesellschaft	0.6	Branch	Germany
Heartland Bank Limited	0.6	Hearthland New Zealand Limited	New Zealand
Industrial and Commercial bank of China (New Zealand) Limited	0.0	Industrial and Commercial Bank of China	China
JPMorgan Chase Bank, N.A.	0.1	Branch	United States
Kiwibank Limited	4.0	New Zealand Post Limited	New Zealand
Kookmin Bank	0.1	Branch	Korea, Rep. of
Rabobank Nederland	0.6	Branch	Netherlands
Rabobank New Zealand Limited	2.3	Rabobank Nederland	Netherlands
Southland Building Society	0.7		New Zealand
The Bank of Tokyo-Mitsubishi Limited	0.9	Branch	Japan
The Co-operative Bank Limited	0.4		
The Hong Kong and Shanghai Banking Corporation Limited	1.2	Branch	United Kingdom
TSB Bank Limited	1.3	TSB Community Trust	New Zealand
Westpac Banking Corporation	1.7	Branch	Australia
Westpac New Zealand Limited	17.5	Westpac Banking Corporation	Australia

a Registered banks' assets as a percentage of the total assets of the banking system, as at 30 June 2014.
b Registered on 21 November 2014.
c Registered on 15 July 2014.

Source: RBNZ (2014), *Financial Stability Report*, November. Viewed at: http://www.rbnz.govt.nz/financial_stability_/financial_stability_report/.

Table A4. 2 New Zealand's Air Transport Agreements[a], 2014

Partner	Date	Entry into force	5th[1]	7th[2]	Cabotage[3]	Coop[4]	Designation[5]	Withholding[6]	Pricing[7]	Capacity[8]	Stat[9]	ALI[10]
Argentina	04.06.1998	TBA[b]	Y	N	N	N	M	SOEC	DA	B1	Y	14
Australia	08.08.2002	25.08.2003	Y	N	Y	Y	M	PPoB	FP	FD	Y	43
Austria	14.03.2002	01.11.2002	Y	N	N	Y	M	PPoB	FP	FD	Y	37
Belgium	04.06.1999	01.05.2003	N	N	N	Y	M	PPoB	DA	B1	Y	19
Brazil	11.06.2013	TBA	Y	N	N	Y	M	PPoB	FP	FD	Y	37
Brunei Darussalam	04.03.1999	04.03.1999	Y	Y	Y	Y	M	PPoB	FP	FD	N	50
Canada	21.07.2009	TBA	N	Y	N	Y	M	SOEC	DD	FD	N	28
Chile	01.12.1992	28.06.1995	Y	N	N	N	M	SOEC	FP	FD	N	27
China	11.04.2012	TBA	Y	N	N	Y	M	SOEC	DA	B1	Y	17
Cook Islands	06.01.2000	06.01.2000	Y	Y	N	Y	M	PPoB	FP	FD	Y	43
Denmark	07.02.2001	07.02.2001	Y	N	N	Y	M	PPoB	FP	FD	N	38
Fiji	03.05.1998	03.05.1998	Y	N	N	N	M	SOEC	DA	B1	Y	14
France	12.10.1998	12.10.1998	Y	N	N	N	M	SOEC	DA	B1	Y	14.0
French Polynesia	04.03.2013	TBA	Y	N	N	Y	..	SOEC	..	FD	..	..
Finland	21.05.2014	TBA	Y	Y	Y	Y	M	PPoB/CoI	FP	FD	N	50
Germany	23.03.2001	TBA	Y	N	N	N	M	SOEC	DA	PD	Y	10
Hong Kong, China	04.04.2014	04.04.2014	N	N	N	N	M	PPoB	DA	PD	Y	12
India	31.01,2008	31.01.2008	Y	N	N	Y	M	SOEC	FP	PD	Y	21
Indonesia	08.11.2012	06.10.2013	Y	N	N	N	M	SOEC	DA	PD	Y	10
Ireland	20.05.1999	10.01.2001	Y	N	Y	Y	M	PPoB	FP	FD	N	44

Partner	Date	Entry into force	5th[1]	7th[2]	Cabotage[3]	Coop[4]	Designation[5]	Withholding[6]	Pricing[7]	Capacity[8]	Stat[9]	ALI[10]
Italy	12.09.2001	TBA	Y	N	N	Y	M	SOEC	FP	FD	Y	29
Japan	16.02.2012	11.09.2012	Y	N	N	N	M	SOEC	DA	B1	Y	14
Korea, Republic of	11.03.2004	11.03.2004	Y	N	N	N	M	SOEC	DA	B1	Y	14
Luxembourg	13.12.2013	TBA	Y	N	N	N	M	SOEC	DA	B1	Y	14
Macao, China	09.03.1995	01.07.1996	Y	N	N	N	M	PPoB	DA	FD	Y	26
Malaysia	16.06.1998	16.06.1998	Y	N	N	Y	M	PPoB	FP	FD	N	38
Mexico	14.05.1999	03.03.2000	Y	N	N	Y	M	PPoB	DA	FD	Y	29
Mongolia (Code-share-only)	12.12.2013	TBA	Y	N	N	Y	M	PPoB	FP	FD	N	38
Nauru	28.11.1986	28.11.1986	Y	N	N	N	S	SOEC	DA	B1	Y	10
Niue	02.12.2010	02.12.2010	Y	N	N	N	M	SOEC	DA	PD	Y	10
Norway	11.12.2013	TBA	Y	N	N	Y	M	PPoB	FP	FD	N	38
Papua New Guinea	31.05.2013	TBA	Y	N	N	N	S	SOEC	DA	B1	Y	10
Philippines	06.03.2014	12.09.2014	Y	N	N	Y	M	PPoB	DA	PD	Y	21
Russian Federation	16.05.2006	21.07.2006	Y	N	N	N	M	SOEC	DD	B1	N	21
Samoa	14.04.2000	14.04.2000	Y	N	N	Y	M	PPoB	FP	FD	N	38
Singapore	27.11.1997	27.11.1997	Y	N	N	Y	M	PPoB	FP	FD	N	38
Solomon Islands	30.05.1990	30.05.1990	Y	N	N	N	M	SOEC	DA	B1	Y	14
South Africa	12.12.2013	TBA	Y	N	N	N	M	SOEC	DD	B1	Y	20
Spain	06.05.2002	16.09.2003	Y	N	N	Y	M	PPoB	FP	FD	Y	37
Sri Lanka	08.05.2014	22.07.2014	Y	N	N	Y	M	PPoB	FP	FD	N	38
Sweden	11.12.2013	TBA	Y	N	N	Y	M	PPoB	FP	FD	N	38

Partner	Date	Entry into force	5th[1]	7th[2]	Cabotage[3]	Coop[4]	Designation[5]	Withholding[6]	Pricing[7]	Capacity[8]	Stat[9]	ALI[10]
Switzerland	11.12.2013	TBA	Y	N	N	Y	M	PPoB	DD	FD	Y	35
Chinese Taipei	10.07.2013	01.12.3013	Y	N	N	Y	M	PPoB	FP	FD	N	38
Thailand	11.02.1999	04.08.1999	Y	N	N	N	M	SOEC	DA	B1	Y	14
Tonga	12.02.2002	12.02.2002	Y	N	N	Y	M	PPoB	FP	FD	Y	37
Turkey	04.03.2010	TBA	Y	N	N	Y	M	SOEC/PPoB	FP	FD	Y	37
United Arab Emirates	11.12.2012	TBA	Y	N	N	N	M	SOEC	DA	B1	Y	14
United Kingdom	02.09.2013	02.09.2013	Y	N	Y	Y	M	PPoB	FP	FD	N	44
United States of America	18.06.1997	18.06.1997	Y	N	N	Y	M	SOEC	DD	FD	N	28
Vanuatu	21.04.2006	13.06.2006	Y	N	N	N	M	SOEC	DA	PD	Y	10
Viet Nam	16.08.2013	TBA	Y	N	N	N	M	PPoB	DA	PD	Y	18

.. Not available.

a "Air Transport Agreements" refers to Air Services Agreements, Memoranda of Understanding, Exchange of Notes, and other such relevant instruments. Only agreements that have been formally signed are included. Agreements with Cambodia, Ethiopia, Iceland, Jamaica, Kuwait, the Netherlands, Paraguay, Peru, Qatar, Saudi Arabia, Togo, Uruguay, and Zambia had been negotiated but were not formally signed as at 30 June 2014.

b To be announced.

1 "Y": Fifth freedom rights (even limited ones) are granted and do not require approval by the aeronautical authorities. "N" not granted.
2 "Y": Seventh freedom rights (even limited ones) are granted and do not require approval by the aeronautical authorities. "N" not granted.
3 "Y": Cabotage rights (even limited ones) are granted and do not require approval by the aeronautical authorities. "N" not granted.
4 "Y": Clauses allowing cooperation between airlines (e.g. code-sharing) are included in the agreement. "N" not included.
5 "S": single designation; "M": multiple designation.
6 "SOEC": Substantial Ownership and Effective Control, "PPoB": Principal Place of Business; "COI": Community of Interest.
7 "DA": Double Approval; "DD": Double Disapproval; "CoO": Country of Origin; "ZP": Zone Pricing; "FP": Free Pricing.
8 "PD": Pre Determination; "BI": Bermuda I; "FD": Free determination; "O": Other.
9 "Y": Exchange of statistics is foreseen by the agreement. "N" not foreseen.
10 "ALI": Air Liberalisation Index is a synthetic measure of the openness of a given Air Services Agreement (ASA), devised by the WTO Secretariat. It has been constructed by attributing weights to the different variants of the key market access features of ASAs (e.g. freedoms of the air, capacity, etc.). The value of the ALI ranges between 0, for very restrictive ASAs, and 50, for very open ones.

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