In pursuance of the CONTRACTING PARTIES' Decision of 12 April 1989 concerning the Trade Policy Review Mechanism (L/6490), the Secretariat submits herewith Volume A (Text) of its report on New Zealand. Volume B (Tables) is presented in document C/RM/S/9B.

The report is drawn up by the Secretariat on its own responsibility. It is based on the information available to the Secretariat and that provided by New Zealand. As required by the Decision, in preparing its report the Secretariat has sought clarification from New Zealand on its trade policies and practices.


NOTE TO DELEGATIONS

Until further notice, this document is subject to a press embargo.
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I  THE ECONOMIC ENVIRONMENT

(1) Major Features of the New Zealand Economy

1. New Zealand consists of two main and a number of smaller islands, whose combined area of 268,000 square kilometres is similar to the size of the United Kingdom or the Federal Republic of Germany. With 3.3 million people, New Zealand is one of the least densely populated countries of the world (12 people per square kilometre; Table I.1). Three-quarters of New Zealand's population lives in the few urban areas.

2. In the early 1950s, New Zealand's GDP per capita ranked amongst the highest in the world. By 1989, GDP per capita barely reached three-quarters of the OECD average, as the economy had expanded relatively slowly. Between 1983 and 1989, the growth of real GDP in New Zealand averaged 2 per cent annually. Since its peak increase of 6% per cent in 1985, the expansion of the New Zealand economy has been sluggish, with economic growth well below average for the developed countries (Table I.2).

3. As in other developed economies, the services sector, dominated by trade-related and professional service industries, has been the largest and most dynamic element of the New Zealand economy in terms of both output and employment. In contrast, even though New Zealand has particularly favourable climatic conditions for agricultural production, especially pastoral, there has been a long-term downward trend in the proportion of GDP accounted for by agriculture, from just under 15 per cent in the early 1960s to around 6-7 per cent in the second half of the 1980s. In addition to its fertile land, New Zealand's key natural resources are forests, minerals, metals and coal. Locally produced crude oil now makes up about 30 to 40 per cent of the domestic refinery's feedstocks.

4. Manufacturing accounts for 20 per cent of GDP and total industry close to 30 per cent. Food processing, metal products, paper and paper products, chemical products, transport equipment, wood products, electrical machinery and textiles are the most important manufacturing industries. The main export industries are resource based. During the second half of the 1980s, forestry and logging increased its share of GDP.

5. In 1988, New Zealand's share in world merchandise exports of 0.3 per cent ranked New Zealand 48th among all exporters, up from 52nd place in 1985. Although the share of agriculture in GDP is not particularly high, around 60 per cent of New Zealand's total merchandise exports are agricultural products. Total merchandise trade corresponds to about 40 per cent of New Zealand's GDP and trade has been more dynamic than other sectors of the economy (Table I.1).

(2) Recent Economic Performance

6. The New Zealand economy is slowly recovering from a recession in the period 1986-88. The contraction in output was related to a sharp decline in New Zealand's terms of trade and occurred in the context of a
comprehensive economic policy reform initiated by the present Government when it came into power in 1984. The reform package included tighter monetary policy, the abandonment of wage and price controls, reform of the public sector, tax reform towards greater use of indirect taxes, deregulation of financial markets, the reduction of import controls, the abolition of exchange controls and the floating of the New Zealand dollar.

7. The recession resulted in a sharp decline in the level of employment. The unemployment rate rose from 4 per cent in 1987 to 5.6 per cent in 1988 and to an estimated 7.2 per cent in the year to March 1990. Current economic problems also include a relatively high rate of inflation, a persistent (although declining) current account deficit and high external debt.

8. Consumer prices increased by 13-15 per cent annually between 1985 and 1987, partly reflecting one-time changes in the price level that were associated with the introduction of a goods and services tax. In the course of the recession, inflation came down to 6½ per cent in 1988. During 1989, the rate increased again to 7.2 per cent. New Zealand's monetary policy is now governed by an agreement negotiated between the Minister of Finance and the Governor of the Reserve Bank under the Reserve Bank Act 1989, which commits the Governor to bring down inflation into the range of 0-2 per cent by the end of 1992.

9. New Zealand's public debt is substantial, currently around 60 per cent of GDP. The Government has set the target of reducing it below 50 per cent of GDP by the end of 1992. Privatization of some State-owned enterprises has helped to reduce public debt. Debt service has been a heavy burden on the public account. However, fiscal management since 1984 resulted in a decline in the budget deficit from a peak rate of 9½ per cent of GDP in 1983 to an estimated one per cent in fiscal year 1988/89 (indeed, an estimated surplus of 4½ per cent if the one-time revenue from the sales of State-owned assets is included; Table 1.3).

10. Along with the decline in the budget deficit (that is, the reduction of "dis-saving" on the part of the public sector), New Zealand's current account deficit fell steadily from 8½ per cent of GDP in 1984 to less than 2 per cent in 1988. This change reflected an increasing merchandise trade surplus. New Zealand's trade in invisibles has traditionally been in deficit, and this deficit tended to increase over time. Data for 1989

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1. One major temporary factor in the recent increase in consumer prices was the increase in the goods and services tax from 10 to 12½ per cent in July 1989. The Reserve Bank estimates that this added 1.9 percentage points to the 1989 inflation rate.

2. The sale of State-owned assets through privatization, between 1988 and 1992, is expected to reduce public debt by one-third.
suggest an increase in the current account deficit, reflecting a sharp pick-up in merchandise import growth which eliminated the merchandise trade surplus.

(3) Trade Performance

(i) Commodity pattern of merchandise trade

11. Food and raw materials have traditionally accounted for about two-thirds of total merchandise exports from New Zealand. The leading export commodities are wool, dairy products and meat. New Zealand has a 50 per cent share of the world's exports of mutton and lamb, a 20 per cent share of the world wool market and a 15 per cent share of world butter exports. While these products continue to be the backbone of export trade, forestry products, horticultural products, leather, hides and skins and aluminium have been growing in importance. The share of manufactures, including consumer goods, electric and non-electric machinery, office machinery and telecommunications has been increasing, from a low base, over the last decade (Tables I.6 and A1.1).

12. The major product groups in New Zealand's merchandise imports are chemicals, around 13 per cent of the total, office machinery and telecommunications, other non-electric machinery, automotive products, and semi manufactures. The share of primary products in New Zealand's imports is relatively low, mirroring New Zealand's natural endowments. Food represents less than 8 per cent of merchandise imports. As a result of petroleum price developments and the growth of the domestic petroleum industry, the share of fuel imports has sharply declined over the last 10 years from 22½ per cent to 5½ per cent (Tables I.5 and A1.1).

(ii) Regional pattern of trade

13. New Zealand's trade was historically heavily dependent on the United Kingdom. In 1960, that country alone took about 80 per cent of its exports and provided nearly 50 per cent of its imports. Since 1960, the picture has radically changed.

14. Currently, New Zealand's export pattern is geographically quite diversified. In 1988, about two-thirds of merchandise exports were sold in the EC, Japan, Australia and the United States and the remaining one-third in a wide range of other countries (Tables I.7 and A1.2). Trade policies have played a role in this development. For example, with the entry of the United Kingdom into the EC preferential access to this market has been sharply curtailed. On the other hand, trade with Australia has been boosted by the Australia-New Zealand Closer Economic and Trade Agreement (ANZCERTA), concluded in 1983, which will result in free trade between the two countries by 1 July 1990 and which gives each party substantial margins of tariff preference.

15. Most recently, Japan has become New Zealand's largest export market, buying mainly agricultural goods, fishery products, and aluminium, followed by Australia, which is New Zealand's largest market for its exports of
manufactures. Other expanding markets include the Republic of Korea, Malaysia and China, which in recent years has been New Zealand's largest wool customer (although purchases have fallen off over the last year).

16. New Zealand has also greatly diversified its import sources. In 1988, Australia and the EC, each provided about one-fifth of total merchandise imports. Japan and the United States ranked next among importers, both supplying about twice the value of imports from the United Kingdom.

17. The share of developing economies in New Zealand's merchandise imports and exports is above the average for the OECD countries. This is particularly noteworthy in view of the facts that New Zealand's living standards are well below the OECD average and that the country is an efficient producer of agricultural products. Between 1978 and 1988, exports to developing countries increased somewhat faster than exports to the other destinations, combined. Total imports from developing countries somewhat lagged behind the overall growth of merchandise imports. This largely reflects the decline in the value of petroleum imports; non-fuel imports from developing countries, particularly in Asia, Oceania and Latin America, have expanded significantly faster than imports from any other source in the 1980s. Among developing economies, trade links with trading partners such as Taiwan, the Republic of Korea, Thailand, Pakistan, Mexico and China have expanded particularly rapidly in recent years (Table AI.2).

(4) Outlook

18. All forecasts of New Zealand's economic growth project a recovery from the present low level in the period up to March 1991. Estimates of the strength and composition of the recovery differ, however.3

19. Real gross domestic product is expected to grow in 1990-91 by between 2½ and over 3 per cent, depending on the assumptions about growth of consumption and investment. Private consumption estimates vary between 1.7 and 2.5 per cent. Business investment is expected by the Reserve Bank to increase at a rate of almost 3 per cent, while a higher rate of 6 per cent is projected by Government sources, based partly on expectations of sales of transport equipment and of the replacement of obsolete machinery in certain sectors by more productive equipment. Stockbuilding is also expected by all forecasts to contribute substantially to GDP growth.

20. Unemployment is expected to have peaked in January 1990. During 1990-91, private sector employment growth is projected to increase, particularly in areas related to export, picking up workers shed by the

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3 The three sets of projections considered are by the New Zealand Treasury (December 1989), Reserve Bank (October 1989) and OECD (December 1989).
public sector. Growth in employment will be slow, however, so that unemployment will not drop substantially in the short term. Inflation is expected to fall to 4½ per cent in 1990.

21. The volume of merchandise exports is projected to grow. However, as the terms of trade are expected to decline slightly and as the recovery in domestic economic activity is expected to draw in imports, only a small increase in the merchandise trade surplus is projected.
II. TRADE POLICY REGIME: OBJECTIVES AND FRAMEWORK

(1) Introduction

22. New Zealand is a constitutional monarchy with a parliamentary Government. The Crown is vested in the same person as the British Crown and Queen Elizabeth II has the title Queen of New Zealand. The Governor-General is the representative of the Sovereign and exercises the royal powers. New Zealand has a long political tradition of parliamentary Government and a network of constitutional practices. The country's constitution is not contained in a single document, although the Constitution Act 1986 brought together in one statute the most important statutory constitutional provisions.

23. New Zealand has a system of Cabinet Government within a single-chamber Parliament. Parliamentary elections are required to be held not less frequently than every three years; the potential life of a Government is therefore relatively short compared to other Western type democratic societies.

24. New Zealand has a separate system of local Government, made up of many local authorities. Powers of local authorities are conferred on them by Parliament, and do not originate in the authorities themselves. Local authorities do not have power in trade policy formulation or administration.

(2) Trade Policy Objectives

(i) General trade policy objectives

25. New Zealand's main trade policy objectives are strongly influenced by the facts that the country is an island nation heavily dependent on foreign trade and is efficient in agriculture. Apart from the farm sector, New Zealand's economy was, for a long period, not responsive to the changing external environment, and not significantly integrated into the world economy.

26. From the late 1930s, continuous protection from import competition was given to local industry. In 1938, an import licensing system was introduced as a response to balance-of-payments difficulties. These protective measures, together with increasing tariff rates and support to export industries, raised a protective barrier around the country's manufacturing industry by insulating it from foreign competitive pressures. Substantial assistance was also given to agricultural exporters mainly in the form of Supplementary Minimum Price (SMP) subsidies, between 1978 and 1985. Although economic problems became evident from the 1960s, the initial policy response was for more government intervention, further
distorting market signals from abroad. This only served to exacerbate the existing problems.*

27. A major change in New Zealand’s trade policy objectives was introduced by the fourth Labour Government after its election in July 1984. Since this date, steps towards an economy responsive to the changing external environment have been much accelerated. Most export incentive schemes and subsidies have been eliminated, import licensing (with the exception of some sensitive industries, such as textiles and apparel and adults’ footwear) has been phased out, and significant tariff reductions have been implemented. In 1984, exchange controls were removed and, in early 1985, the decision was taken to float the New Zealand currency, replacing the earlier system of fixed exchange rates. Competition has been promoted by the adoption of the Commerce Act 1986 and other measures. New Zealand has taken a more receptive attitude towards foreign investment, further narrowing the need for approval by the Overseas Investment Commission (investments over $NZ 10 million or investments by ‘overseas persons’ in specified sensitive sectors).

28. In the context of the new policy, steps were taken under the provisions of the State-Owned Enterprises Act 1986 to convert a number of Government departments into State-owned enterprises operating on a commercial basis and subsequently to sell some of them into private ownership.

29. Assistance to agriculture was rapidly reduced after the 1984/85 season. Since then, producer boards have been required to obtain future finance at commercial rates. Price support had virtually disappeared, except to the extent that the producer groups wished to implement their own. However, producer boards, despite increasing debate over the advantages of single seller export marketing, retained a major rôle in marketing. Strict regulations are designed to ensure the prevention of spread of disease, and the general control of any adverse effects on animal or plant health. New Zealand also maintains some restrictions on imports or exports, in order to secure the enforcement of quality standards, preservation of cultural heritage, security and environmental protection.

30. One of the Government’s significant objectives is to promote the integration of New Zealand in the world economy. On the export side, efforts are being made to secure better conditions of access to overseas markets and to enhance the marketing skills and information available to exports.

31. In view of the important rôle of agricultural exports for New Zealand’s foreign exchange revenue, the country’s number one trade policy objective is to bring agriculture within effective multilateral GATT

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discipline establishing improved terms and conditions of access to markets. Another important trade policy objective is to diversify the country's export structure and to increase the share of manufactured products in New Zealand's exports.

32. The Government announced on 20 March 1990, that it intends to continue its current economic policy. Business law will be reformed and tax laws made simpler. Measures will be taken to increase the efficiency of ports, shipping, airports, building industry and railways. Government assistance to business measures should be made more effective and better co-ordinated. Tariff reduction will continue during the period 1993 to 1996 and further privatizations of State-owned enterprises will be undertaken.

(ii) Objectives in the Uruguay Round

33. During the preparatory negotiations, New Zealand was one of the strong supporters of the Uruguay Round, emphasising the need to reinforce the basic principles and objectives of the GATT. New Zealand's basic position was that in the negotiations, "food should be treated like any other product". 6

34. Being heavily dependent on trade for economic development, New Zealand is an active participant of the Round. It takes a particularly keen interest in many subjects such as agriculture, tropical products, natural resource-based products, tariffs, non-tariff measures, safeguards, anti-dumping, subsidies, trade related aspects of intellectual property rights, functioning of the GATT system and dispute settlements. New Zealand is also interested in the negotiations on services.

35. Agricultural negotiations are of crucial importance to New Zealand. 7 New Zealand is an active member of the Cairns Group, the aim of which is to achieve a firm commitment to substantial reform on market access, internal support measures and all subsidies, including prohibitions of export subsidies, and to bind such understandings under new GATT rules and disciplines for agriculture. 8 New Zealand also plays an active rôle in the

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5 Economic Statement on 20 March 1990 by the Honourable D. Caygill, Minister of Finance, to the House of Representatives.


7 New Zealand believes that Contracting Parties can no longer refrain from redressing the inequitable treatment of Agriculture in the GATT. A gross imbalance such as this undermines the credibility of a trading system that is committed to non-discrimination of treatment and maximizing opportunities for trade*. GATT document L/5831, 5 July 1985.

8 Members of the Cairns Group are: Argentina, Australia, Brazil, (Footnote Continued)
Negotiating Group on Tropical Products. In September 1988, it submitted a document setting out details of New Zealand's tariff and non-tariff liberalization measures affecting tropical products. New Zealand considers that natural resource-based products should be subject to the same GATT rules as all other products.

36. In March 1990 New Zealand tabled a conditional tariff offer. It will only be confirmed, in whole or in part, once New Zealand had an opportunity to assess whether the country has been offered substantially equivalent concessions by its trading partners, in areas of priority interest such as dairy or beef access. In the Negotiating Group on Non-Tariff Measures, New Zealand submitted a request list to all its major trading partners, seeking the removal of non-tariff measures which impinge on to exports of agricultural products including quantitative restrictions, import licensing, variable levies, import licensing and health/sanitary requirements.

37. The safeguard negotiations are of considerable interest to New Zealand. One concern is that safeguard provisions have the potential to undercut gains achieved elsewhere in the Round, especially in regard to access for New Zealand's agricultural exports. New Zealand therefore opposes the introduction of selective safeguard actions. As to the amendment of the Anti-Dumping Code, New Zealand wants the definitions and conditions of application of the Code tightened up, rather than radical changes to it. In the Negotiating Group in Subsidies, New Zealand is seeking the elimination of export subsidies, including those on agricultural goods, and the introduction of tighter disciplines on trade distorting domestic subsidies. New Zealand takes the view that subsidies on agricultural products should be subject to the same GATT rules as industrial goods.

38. New Zealand is in favour of an agreement on trade-related aspects of intellectual property rights, as it believes that multilateral rules and disciplines will help reduce trade tensions. In the Negotiating Group on Trade-Related Investment Measures, New Zealand advocates the outright prohibition of those measures which are always trade restrictive and which are inconsistent with GATT Articles.

39. New Zealand strongly supports efforts to make the GATT dispute settlement mechanism more efficient because well functioning multilateral dispute settlement procedures are of vital importance for defusing trade tensions. They can also contribute to trade liberalization as demonstrated recently by some dispute settlement cases which involved New Zealand.

(Footnote Continued)
Canada, Chile, Colombia, Fiji, Hungary, Indonesia, Malaysia, New Zealand, the Philippines, Thailand and Uruguay.

40. New Zealand submitted a proposal in the Group of Negotiations on Services which favoured increased liberalization of international services trade. New Zealand takes a position on coverage similar to that of Australia, based on their experience with the negative list approach of the CER Services Protocol in the framework of the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA).

(3) General Trade Laws and Trade Legislation

41. New Zealand is an original signatory to the GATT. The acceptance by the New Zealand Government of the GATT was approved and authorized by Parliament by the General Agreement on Tariffs and Trade Act 1948. The Act did not directly incorporate the GATT within the domestic law of the country.

42. GATT obligations are incorporated into New Zealand domestic law by way of statutes and statutory regulations. Individual citizens or traders may invoke relevant rules and remedies only through provisions of domestic law. These may involve administrative or judicial action. New Zealand has accepted the GATT Tokyo Round Agreements, with the exception of the Government Procurement and the Civil Aircraft Codes. It is not a signatory to the Multi-fibre Arrangement.

43. Rules concerning New Zealand's tariff system and customs duties are contained in the following Acts: Tariff Act 1988; Customs Acts Amendments Acts 1979-1985; Customs Act 1966 (as amended); customs duties shall be levied, collected and paid in accordance with the Tariff, as set out in the First Schedule to the Tariff Act 1988. The enforcement and collection of duties is a function of Customs. The rules concerning customs procedures and other border measures are laid down in the Customs Act 1966 and its amendments.

44. On the instruction of the Government, a draft Border Protection Act was prepared in 1989 to replace the Customs Act 1966. The draft takes into account, inter alia, the following developments: increasing pressure on the Customs administration to balance control with the need to facilitate passenger and cargo movements to ensure minimal interference with bona fide border transactions; the diverse interests concerning immigration, health, animal and plant and environmental protection; the need to co-ordinate New Zealand border protection procedures with those of Australia; technological changes and their impact on border measures.

45. A goods and services tax (value-added tax) is imposed on imported and locally made goods in accordance with the Goods and Services Tax Act 1985. For imported goods, the dutiable value for goods and services tax is the sum of c.i.f. (cost, insurance, freight) and duty.

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47. The Dumping and Countervailing Duties Act 1988 provides the legal basis for the investigation of complaints of dumping and subsidization and for the imposition of anti-dumping and countervailing duties. Provisions contained in the Commerce Law Reform Bill (now before Parliament) will amend the Act to exclude Australian-origin goods from anti-dumping procedures. The Temporary Safeguard Authorities Act 1987 allows for urgent temporary safeguard measures to be taken under circumstances defined by the Act. Under the Act the following measures can be taken to alleviate injury: customs duties; import quotas; production bounties; or any other actions.

48. Rules governing competition are contained in the Commerce Act 1986. The Act establishes a Commerce Commission which may grant authorization for certain otherwise prohibited trade practices. The Act defines restrictive trade practices such as practices substantially lessening competition; price fixing; use of dominant position in a market and resale price maintenance. Other rules cover mergers and takeovers and control of prices. In December 1989, the Government introduced a bill into Parliament, amending the Act (Commerce Law Reform Bill). The Bill, inter alia, will extend the law on dominance to trans-Tasman markets. A new section (36A) will prohibit persons who have a dominant position in a market in New Zealand, in New Zealand and Australia, or in Australia from using that dominant position for certain anti-competitive practices in New Zealand markets. (Australia is to make a reciprocal amendment to its Trade Practices Act 1974).

49. The Fair Trading Act 1986 provides consumer information (misleading or deceptive conduct; false trade descriptions; unfair practices) and product safety measures. It complements the Commerce Act 1986 and the Sale of Goods Act 1908.

50. The Finance Act 1989 contains rules, inter alia, on income tax; goods and services tax; and on excise duty.

(4) Structure of Trade Policy Formulation

(i) Legislative and executive branches of Government

51. The power to make laws is vested by the Constitution Act 1986 in the Parliament of New Zealand, which consists of the Sovereign in right of New Zealand (normally represented by the Governor-General) and an elected House of Representatives. The principal functions of Parliament are to enact laws, supervise the Government's administration, vote supply, provide a Government, and redress grievances by way of petition.

52. Proposed laws are placed before the House in the form of bills. After a short first reading almost all bills are sent to a select committee. Detailed scrutiny of legislation and facets of executive
activity, e.g., expenditure of public money, is carried out by select committees, which report their findings and recommendations to the House. The public and interested bodies may make submissions to the select committees.

53. The executive Government of New Zealand is carried out on behalf of the Sovereign by the Ministers of the Crown, who make up the members of the Cabinet and the Executive Council. The Cabinet and the Executive Council have separate functions. All members of Cabinet are members of the Executive Council, as are the Ministers not in the Cabinet.

54. The Executive Council is a formal body which gives advice to the Governor-General on the basis of policy formulated in the Cabinet. The Council promulgates Government decisions such as statutory regulations. The Cabinet is in effect the highest council of Government. Its proceedings are informal and confidential. In Cabinet, the Government decides on administrative and legislative proposals and policies, and co-ordinates the work of Ministers. The Cabinet has a system of sub-committees with authority to make decisions on various subjects. The Cabinet committees dealing with trade questions, chaired by one of the responsible Ministers, include the Economic Development and Employment Committee, the Legislation Committee and the Policy Committee.

55. In 1988, several ministries were reorganized with the aim of simplifying and improving the operations of government agencies. The Ministry of Foreign Affairs merged with the Trade Relations Division of the Department of Trade and Industry to become the Ministry of External Relations and Trade (MERT). This has been a fusion of the political, economic and trade relations responsibilities held before by two departments. The main trade responsibilities of MERT are to help formulate domestic economic policy where it affects relations with other countries; to help formulate, co-ordinate and administer policy on trade and economic relations with other countries; and to advise on New Zealand's interests in international economic organizations. The MERT works in close cooperation with the New Zealand Trade Development Board (NZTDB), also a new organization, who assists members of the private sector to do business overseas.

56. The Ministry of Commerce has a number of responsibilities affecting foreign trade. It has principal responsibility under the Tariff Act 1988 for tariff policy changes. It is also responsible for issues regarding competition policy, including business deregulation, business and intellectual property law, import licensing, dumping, countervailing and

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The following select committees are of major importance from the point of view of economic and trade policy legislation: Business; Commerce and Marketing; Finance and Expenditure; Foreign Affairs and Defence; Planning and Development; Primary Production; State-Owned Enterprises.
safeguard actions. The Ministry of Consumer Affairs, which is functioning as part of the Ministry of Commerce, is responsible for the development of consistent and coordinated consumer policy.

57. The Customs Department is the agent of the Government acting at the border in accordance with policies for which other departments are responsible. It administers, inter alia, Customs legislation and, at the border, the tariff and import licensing systems. The Ministry of Agriculture and Fisheries carries out the Government's policies and programmes relating to the farming, horticultural and fishing industries, including the implementation of rules on preventing the introduction of animal and plant diseases. The Treasury provides the Government with independent economic and financial advice; implements the Government's economic and financial policies; controls and accounts for the receipt and payment of government finances and provides financial information on the operations of the Government.

58. The Reserve Bank of New Zealand advises the Government on monetary policy, banking, credit and overseas exchange, implements government monetary policy. It acts as a banker to the Government, maintains adequate overseas reserves. It administers Overseas Investment Regulations. The manner in which the Reserve Bank operates has been changed significantly by the Reserve Bank of New Zealand Act 1989.

59. The Planning Council was set up by Act of Parliament in 1977. The Act gives the Council complete autonomy over its choice of work and publishing its reports. Although largely funded by Government, the Planning Council is not affiliated to any Government department. The Planning Council's work is built around a set of monitoring and working groups. The Economic Monitoring Group analyses and stimulates discussion on economic issues. Its publications include reports on fiscal policy, foreign exchange, economic regulation and labour market flexibility.

(ii) Private sector input into trade policy formulation

60. Private sector input occurs in a number of ways. These are consultations between departments involved and the major private sector umbrella organizations, including the Federated Farmers, the Manufacturers Federation and the Coalition of Service Industries. Consumer organizations are not significant in the process, although they have had a significant impact on standards-setting.

61. There are frequent meetings between other organizations, private companies and Government departments to a variety of issues connected with the formulation of international trade and domestic policies (for example, in tariff matters). In 1986, the Minister of Overseas Trade and Marketing set up the Advisory Committee on Multilateral Trade Negotiations to advise the Government on a New Zealand approach to the Uruguay Round.

62. The private sector has also been involved in the Tariff Working Party (1987) and the Task Force on International Competitiveness (1989). As
mentioned before, private individuals or organizations have the right to make submissions to the select committees of Parliament.

(iii) Independent review bodies

63. In New Zealand there are no independent bodies which have systematic responsibility for reviewing trade policy. (The Planning Council, although the nearest approach, has a wider responsibility). However, private persons and companies can influence trade policy formulation in a number of ways. Parliamentary procedure is intended to enable the public and interested bodies to make submissions to the select committees of the Parliament. The private sector makes its input to Government decisions mainly through its organizations.

64. Until 1989 the Government system included an Economic Development Commission. Its basic objective was to improve public understanding of the impact of Government decisions on the economy. The Commission analysed the allocation of resources in the economy, and the effect of Government actions on them. Particular attention was given to the Government's ability to adjust to change over time. The Commission was abolished in 1989.

65. The Office of the Ombudsman investigates complaints about the acts and decisions of central Government departments and organizations, statutory boards and local government organizations specified in the schedule to the Ombudsman Act 1975, including bodies dealing with trade issues. It also investigates and reviews decisions of such bodies relating to requests for the release of official information.

(5) Trade Agreements

66. Several bilateral and regional preferential trade agreements involving New Zealand and its trading partners are in operation. Economic ties with Australia are of outstanding importance to New Zealand.

67. Beginning in 1965, trade between New Zealand and Australia was governed by the New Zealand-Australia Free Trade Agreement (NAFTA). Its successor, the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA), which entered into force on 1 January 1983, has as its objective to establish free trade in all products between the two countries. The ANZCERTA originally provided for the progressive elimination of all quantitative import restrictions by 1995, with quotas being expanded annually, the phasing out of tariffs by the end of 1987 with exceptions for certain specified products, and the abolition of performance-related export incentives by July 1987. Prior to the Agreement entering into force on 1 January 1983, some 75 per cent of trans-Tasman
trade was already free of tariffs and 90 per cent free of quantitative import restrictions.\(^{12}\)

68. Due to the tariff cuts resulting from this Agreement, trade in both directions between New Zealand and Australia will be free of tariffs by 1 July 1990. Trans-Tasman trade has grown more rapidly than trade from other sources and to other destinations. New Zealand's exports to Australia grew from 13.3 to 15.7 per cent of total merchandise exports and imports from Australia have risen from 19.5 to 20.1 per cent of the total between 1983 and 1987.\(^{13}\) New Zealand and Australia serve as each other's largest export markets for manufactures, with New Zealand taking 17.7 per cent of Australian exports of manufactured products in 1988 and Australia taking 36 per cent of New Zealand's exports.

69. Originally scheduled for 1995, the time period for achieving the free trade area was brought forward by five years, to 1 July 1990, as a result of a mid-term review of the Agreement concluded in August 1988. At this time, a number of other instruments providing for increased cooperation and harmonisation in the policy and regulatory environment were introduced, inter alia, a Protocol on Trade in Services; a Protocol on Harmonisation of Quarantine Administrative Procedures; a Memorandum of Understanding on Harmonization of Business Law; an Exchange of Letters on the harmonization of customs policies and procedures; and an Agreed Minute on Industry Assistance. In addition to tariffs, quantitative restrictions in trade between the two countries will disappear on 1 July 1990 and anti-dumping measures will not be applied nor will either country pay non-performance-based export incentives on exports to the other country.

70. New Zealand and the Republic of Korea signed an agreement on trade and economic and technical cooperation on 20 April 1976. It superseded the trade agreement of 31 January 1967. It extends m.f.n. treatment over customs duties, any quantitative restrictions, and merchant vessels and crews; agrees that the two countries' trading enterprises may hold exploratory discussions for long-term commodity arrangements; and confirms the two Governments' agreement to encourage and facilitate economic and technical cooperation between their private sectors.

71. A trade agreement was signed with China in 1973. A joint trade commission meets annually to review developments in bilateral trade.

72. The South Pacific Regional Trade and Economic Agreement (SPARTECA) came into operation on 1 January 1981. Under this agreement, New Zealand (along with Australia) provides duty-free and unrestricted access, on a non-reciprocal basis, to its market for most of the products exported by

\(^{12}\)GATT document L/6168, 1 June 1987.

the Forum Island countries. Between 1981 and 1988, imports rose from $NZ 43.7 million to $NZ 73 million (value for duty).

73. New Zealand has preferential arrangements with the United Kingdom and the Republic of Ireland. There are no remaining preferences applying for the Republic of Ireland, while Britain receives motor vehicle preference (e.g. 20 per cent for Class I completely-built-up vehicles, the normal tariff rate being 35 per cent).

74. On 1 January 1982, the new Trade and Economic Cooperation Agreement between New Zealand and Canada came into effect replacing the 1932 Trade Agreement, the 1970 Amending Protocol and the 1973 Interim Preferences Agreement. The preferential tariff rates applicable under the previous agreement were retained. Products covered range across the tariff. The intention of the Agreement is to limit increases in tariffs and maintain minimum margins of preference. Canada reaffirmed its intention to turn to New Zealand as a preferred supplier of butter and consolidated its preferential tariffs on dairy products.

75. Under the terms of the 1961 Trade Agreement between Malaysia and New Zealand and the 1975 Exchange of Letters, New Zealand is obliged to give 30 days notice before reducing or eliminating margins of preference on imports of Malaysian pineapples preserved in juice or syrup, sago and tapioca, and footwear with canvas uppers and rubber soles.

76. A trade agreement was signed with India in 1986, and the first meeting of the India-New Zealand Joint Trade Committee was held in June 1987.

77. New Zealand has a trade agreement with each ASEAN member, except Singapore, with which it has a Scientific, Industrial and Technological Agreement.

78. New Zealand is party to certain commercial treaties, conventions, and arrangements with countries outside the Commonwealth resulting from direct negotiations with the countries concerned. In practice, some of the earlier arrangements, which generally provided for reciprocal most-favoured-nation tariff treatment, became superseded by New Zealand's accession to the GATT.

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14 Forum Island countries, signatories to SPARTECA: Cook Islands, the Federated States of Micronesia, Fiji, Kiribati, Marshall Islands, Nauru, Niue, Papua New Guinea, Solomon Islands, Tonga, Tuvalu, Vanuatu and Western Samoa.

15 The list of trade agreements which are still operative can be found in the New Zealand Official Yearbook, 1988/1989, Department of Statistics, Wellington, p. 733.
(6) General System of Preferences

79. New Zealand introduced its GSP scheme in 1972. Currently, New Zealand's GSP scheme benefits 146 countries and territories, of which some 40 are least-developed enjoying duty-free treatment. In 1985 a scheme entered into force under which preferential treatment is withdrawn when GSP beneficiary countries or territories reach 70 per cent of New Zealand's GNP per capita. From July 1989 a limited system of "product graduation" took effect. Imports from GSP beneficiaries have grown both in absolute terms and relative to imports, by 1986-87 reaching 10.2 per cent of total merchandise imports. (For further details, see Chapter IV.)
III. TRADE-RELATED ASPECTS OF THE FOREIGN EXCHANGE REGIME

(1) Exchange Rate Movements and Trade

80. As part of the country's macroeconomic policy reform, the New Zealand dollar has floated since March 1985. Its value against other currencies is determined by demand and supply in the foreign exchange market.

81. Prior to the exchange rate reform, New Zealand's exchange rate system had moved through four broad stages:

- Before 1973, the value of the New Zealand dollar was pegged, initially to the pound sterling and later to the US dollar.

- In 1973, the New Zealand currency was fixed against a basket of the currencies of the country's main trading partners.

- In 1979, a more flexible exchange rate system was introduced. Instead of infrequent but relatively large adjustments to the exchange rate, a new "crawling peg system" enabled smaller, more frequent changes to be made. The main criterion for adjustment was the amount by which inflation in New Zealand differed from average overseas inflation rate. Some account was also taken of other factors affecting the balance of payments such as long term changes in the terms of trade.

- In June 1982, the crawling peg system was suspended and the New Zealand dollar was once again fixed against a basket of currencies. In July 1984, the dollar was devalued 20 per cent against the basket, but then remained fixed at its new value.

82. Throughout much of the period 1973 to 1984, a relatively high rate of inflation was a key factor in the gradual erosion of New Zealand's international economic competitiveness. Successive adjustments to the nominal exchange rate could not offset this trend because any competitiveness regained from devaluations was quickly eroded by way of subsequent wage and price developments in New Zealand.

83. The 1984 devaluation of the New Zealand dollar helped to boost merchandise export volume in 1985 while preventing merchandise import volume from growing. In turn, because of the favourable merchandise trade development, the current account deficit declined from a peak rate of close to 9 per cent of GDP in 1984 to 6½ per cent in 1985 (Chart III.1). By the end of 1985, however, the benefits to New Zealand's international price competitiveness flowing from the devaluation had been dissipated by domestic inflation. The real effective exchange rate was back at its level prior to the devaluation. In 1986, despite an acceleration in the growth of world trade volume, New Zealand's export volume slightly declined, partly reflecting the real exchange rate and the effects of the reform of domestic industry. Import volume also fell, as total domestic demand fell due to reduced investment activity.
84. In the period 1987 to August 1988, with continuing firm monetary policy and renewed confidence in the New Zealand economy due to a sharp improvement in its terms-of-trade, the nominal effective exchange rate appreciated. The real effective exchange rate increased substantially more.

85. Despite the appreciation of the New Zealand dollar, the current account deficit further declined as a percentage of GDP, particularly in 1988. Apparently, the impact on the trade and current account of New Zealand's loss in international price competitiveness was swamped by the effect on export values of the strong recovery of commodity prices in the latter part of 1987 and 1988. Also, in the face of recession and consequent weak domestic demand, the value of New Zealand's imports fell sharply from its 1987 peak.

86. In 1988, along with a sharp increase in labour productivity and a subsequent decline in unit labour costs, there was substantial progress in reducing the rate of inflation in New Zealand. Domestic interest rates fell at a time when international rates were increasing. In August 1988, the NZ dollar came under pressure and the nominal effective exchange rate began to depreciate. The decline in the nominal rate, coupled with a lower rate of inflation, translated themselves into a real effective depreciation
of the New Zealand dollar in the second half of 1988 of around 10 per cent. Through 1989, the real effective exchange rate of the NZ dollar remained at this lower level (Chart III.2). However, export performance began to weaken in late 1989 as the world commodity boom subsided and there were some problems over supply and demand for New Zealand products, while imports increased substantially as the New Zealand economy was recovering. The merchandise trade surplus shrank sharply in the course of 1989, reversing the balance of payments adjustment that had been under way in the second half of the 1980s.

Chart III.2
Nominal and real effective exchange rate of the NZ dollar, 1986-89

Source: IMF

(2) Foreign Exchange Allocation

87. New Zealand's financial sector has been substantially reformed since 1984. Most direct controls on the financial sectors were removed, including interest rate and exchange controls, credit guidelines, Government security ratio and other balance sheet restrictions.

(i) Bank reform

88. Before 1987, in line with the direct State control over finances, a specific Act of Parliament was required for a financial institution to operate as a bank. Only four banks existed. They enjoyed certain
privileges relative to other financial institutions. To create a more competitive institutional environment, the Reserve Bank Amendment Act 1986 empowered the Reserve Bank to register new banks from 1 April 1987. Under the new legislation, there was no limit placed on the number of banks that could be registered, nor on the entry of banks from abroad. Since 1986, nineteen new banks have been registered. The Reserve Bank of New Zealand Act 1989, effective from 1 February 1990, sets the standards a new applicant has to meet to be registered as a bank. Providing an applicant can meet these standards, it will be registered with the Reserve Bank.

89. The new Act has significantly changed the manner in which the Reserve Bank operates. The new Act gives the Bank greater independence to operate monetary policy than it has had in the past. According to the Act, price stability has become the objective of monetary policy unless the Government wishes to substitute another objective. The new Act gives the Reserve Bank independence to implement the monetary policy it believes will achieve the Government's policy target. The Act also makes the Bank more accountable for its actions to Parliament.

90. The Act lays down rules for the Reserve Bank's prudential supervision, the aim of which is to "promote the maintenance of a sound and efficient financial system". However, this does not amount to any form of guarantee for bank deposits. In future, the Reserve Bank will supervise registered banks only. There are additional powers for the Reserve Bank to impose conditions on banks, with a view to reducing risk and requiring banks to disclose information to the public.

(ii) Exchange controls

91. In December 1984, prior to the floating of the exchange rate, exchange controls were abolished. Since then, receipts and remittances of foreign exchange have been basically free from controls. The Reserve Bank of New Zealand continues to administer the remaining exchange control provisions.

92. Payments to and from residents of countries other than New Zealand may be made or received in any foreign currency. Overseas bank accounts in New Zealand may be used for the settlement of transactions with other countries.

93. There is no requirement for obligatory return of export earnings through the banking system. Remuneration in foreign exchange for services provided in New Zealand for overseas residents by New Zealand residents is permitted. Interest and dividends earned overseas by New Zealand residents

can be freely transferred. Foreign currency proceeds may be sold to any authorized dealer.

(3) **Foreign Direct Investment**

94. In accordance with rules on foreign investment, foreign entities can acquire up to 100 per cent ownership of New Zealand's businesses. The rules permit the full remittance overseas of profits and capital through normal banking channels. No performance requirements are attached to foreign direct investment.

95. The Overseas Investment Commission monitors foreign investment proposals. Any non-resident person or company wishing to acquire 25 per cent or more share in a New Zealand company, or acquire assets exceeding $NZ 10 million, must have the Commission's approval. In three sectors, fishing, broadcasting and rural land ownership, all foreign investments are subject to the Commission's approval.
IV. TRADE POLICIES AND PRACTICES BY MEASURE

(1) Overview

96. Historically, New Zealand has been a highly protected economy. The liberalization of its trading system, through the replacement of import licensing by tariffs and the reduction of tariffs, has been under consideration since 1969, when the National Development Conference recommended that "import licensing should be replaced by tariffs ... in accordance with a clearly defined programme and within a reasonable time".17

97. A five-year review aiming at replacing import licensing by tariffs, begun in 1971, was interrupted in 1974 by a balance-of-payments crisis. In 1975, a new Tariff Review Committee was established, and simultaneously a study programme of individual industries was set up. A new Tariff, introduced in 1978, was designed to provide "appropriate" tariff protection to local industry in the absence of import licensing. At the same time, 11 further sectors were added to the study programme. The industry studies formed the basis for a series of Industry Plans, within which special conditions, including longer delays for the phasing out of import licensing, were laid down. Industry plans originally covered 30 per cent of manufacturing output.

98. Further thought was given in 1978 to moving to tariff-only protection. New measures included a speeding up of the industry plans, more flexible and liberal administration of import licensing, and the introduction of an import licence tendering scheme for additional licences for consumer goods. This last provision was intended to provide an assessment of the "effectiveness" of existing tariffs and the competitiveness of local industries.

99. Trade policy reform has continued at an accelerated pace since 1984. Import licensing on all goods not included in industry plans ended on 1 July 1988. Licensing on a large number of goods included in industry plans has also been terminated. All import licensing will have been removed by 1 July 1992.

100. A decision was taken by the Government in 1985 to reduce all tariff rates for goods not produced in New Zealand to zero. Non-industry plan goods with tariffs of over 25 per cent were reduced by set percentages of the existing rates on 1 July 1986 and 1 July 1987. A programme of tariff cuts comprising five cuts over four years was introduced with effect from 1988, designed to substantially reduce higher tariffs by 1992.

101. Nevertheless, many tariff rates have remained high. Current plans are to continue the process of staged tariff reduction from 1993 to 1996. The aim is to reduce tariffs in all sectors, except footwear, carpets, apparel and motor vehicles, to 10 per cent by 1 July 1996.

102. New Zealand applies anti-dumping and countervailing duties under domestic legislative procedures. The Temporary Safeguard Authority Act, 1987, provides for urgent measures to be taken in case of material injury caused or threatened by the importation of goods. To date, on the basis of the new legislation, there have been no such actions.

103. Non-border measures such as direct financial assistance to industry and agriculture have been reduced. Export subsidies have been phased out. A number of State-owned enterprises are being turned into corporations, and subsequently, privatized; however, the impact on competition in the sectors concerned is difficult to assess, for example, because of the dominant position which may be held by the newly-privatized companies in New Zealand's relatively small domestic market. Marketing Boards continue to enjoy some privileges reducing competition in the domestic market. Preferences for domestic suppliers in Government procurement have been reduced and now apply only to goods covered by import licensing.

(2) Measures Directly Affecting Imports

(i) Tariffs

104. New Zealand has operated a two column tariff (normal and preferential) since 1974. M.f.n. treatment is accorded to all countries except those covered by preferential arrangements (discussed in paragraphs 23-28 below).

105. In December 1985, the Government announced that, as part of its trade liberalization and structural adjustment programme, tariffs on goods not produced in New Zealand would be cut to zero unless trade policy considerations dictated otherwise. On 1 January 1986, some 500 out of a total of some 2,500 tariff lines were reduced, from rates ranging up to 47.5 per cent, mostly to zero or 5 per cent. On 1 July 1986, remaining tariff rates of over 45 per cent on non-industry plan goods were reduced by five percentage points, while duties of more than 25 per cent but not more than 45 per cent, again on non-industry plan goods, were reduced by approximately 5 per cent. A further 10 per cent reduction in all tariff rates on non-industry plan goods above 25 per cent was implemented on 1 July, 1987.

106. New Zealand introduced the Harmonized System on 1 January 1988, replacing the previous CCCN-based tariff which had been in force since

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1978. As with most countries, the introduction of the Harmonized System greatly increased the number of individual tariff lines, from around 2,000 to over 7,000. The New Zealand Tariff, used to also collect trade data (import and export), contains just over 12,000 statistical keys (sub-items used in the Tariff to define products for statistical and import licensing purposes).

(a) Average tariffs, tariff range and tariff escalation

107. Table IV.1 shows Secretariat estimates of the changes in average tariffs for agricultural and industrial products, by stage of processing, which resulted from the 1985-87 reductions. The simple average tariff on agricultural products did not change. Tariff escalation between primary and semi-processed products increased, while escalation between semi-processed and processed products fell slightly. On a weighted average basis, tariff escalation between primary and semi-processed products increased. For industrial products, the average tariff declined by about 5 per cent. The degree of escalation between raw materials and semi-processed products increased on a simple average basis but fell on a weighted basis (partly reflecting the impact of relatively lower tariffs on imports of semi-processed products). Escalation of tariffs on finished manufactures fell slightly.
Chart IV.1
Average applied tariffs by stage of processing
1984 and 1988
Simple average, per cent

<table>
<thead>
<tr>
<th></th>
<th>1984</th>
<th>1988</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall rate</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Semi-processed goods</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finished goods</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: Petroleum is excluded from the primary goods average for industrial products.

Source: GATT Tariff Study files.

108. Following the report of the Tariff Working Party, a further reform of the tariff structure was announced on 17 December 1987. All tariffs on goods not subject to industry plans were to be reduced under a five-step formula programme, commencing on 1 July 1988 and ending on 1 July 1992.

109. Under this general tariff programme, reductions were calculated by way of a "Swiss formula" with a coefficient of 175. The maximum rate by 20

The "Swiss formula" for tariff reduction is expressed as

\[ z = \frac{ax}{a + x} \]

where "x" is the existing tariff, "z" is the tariff after one step of the reduction programme, "a" is a coefficient. Use of \( a = 175 \) would result in a reduction of 30 per cent tariff in 1987 to 25.6 per cent in 1988, 21.8 per cent by 1989, 19.4 per cent by 1990, 17.5 per cent by 1991 and 15.9 per cent by 1992.
1 July 1992 for products covered by the general programme will be 20.5 per cent (Table IV.2). Excluded from the general tariff reduction plan are goods included in industry plans. In these cases, tariff reductions (at a slower pace) form part of the plans. Goods subject to industry plans are generally merging into the general programme according to agreed timetables. By 1 July 1990, all specific rates of duty, except for a few cases, are to be eliminated. The Government will decide shortly about the future of the remaining specific rates on alcohol (except wine), methanol and plastic buttons.

110. By July 1992, most tariffs will be either duty free or within the range 15-20 per cent. Some high peaks will remain in individual sectors. Moreover, the degree of escalation may, in some instances, increase because of duty-free treatment of many inputs and high rates on finished products in some areas.

111. As a result of a high number of substantial tariff peaks, duty ranges in New Zealand’s tariff are generally wide (Table IV.3). Tariff ranges are especially wide in the following sectors: textiles (0-53 per cent), mineral products and fertilizers (0-50 per cent), chemicals (0-40 per cent), transport equipment (0-42.5 per cent) and furniture (0-35 per cent).

Chart IV.2
Rates of duty by percentage of tariff lines
1986, 1989 and 1992
(Percentage of total tariff lines)

Source: New Zealand Government Ministry of Commerce.
112. On 20 March 1990, the Government announced its plan for further tariff reform beyond 1992. For most imports, tariffs will come down to a maximum of 10 per cent by 1996. The first reduction under this programme will take effect on 1 July 1993 and the last on 1 July 1996. Rates of 10 per cent and under on 1 July 1992 will remain unaffected. Tariff reductions will be smaller in the apparel and the motor vehicles sectors, and announcements are awaited on carpets and footwear. All these items on which industry plans remain in force and on which substantially higher tariffs persist. In 1995, there will be a further review of the tariff régime to apply after 1 July 1996.

Chart IV.3
Changes in New Zealand Tariff ranges, 1986, 1992 and 1996 (Per cent)

(b) Tariff bindings

113. New Zealand has bound, or partially bound, tariffs on 55 per cent of its Harmonized System tariff schedule. Imports under bound or partially bound tariff lines are estimated by the Secretariat to have accounted for 63 per cent of New Zealand's merchandise imports in 1988. Although a larger share of tariff lines on industrial products is bound than on agricultural products, imports under bound tariffs represent a higher share for of agricultural than industrial products (Table IV.4).

Chart IV.4
Imports into New Zealand at bound rates of tariffs, 1988

<table>
<thead>
<tr>
<th></th>
<th>US$ billion, per cent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>3.5</td>
</tr>
<tr>
<td>Industry (excl. petroleum)</td>
<td>3.0</td>
</tr>
<tr>
<td>Overall</td>
<td>3.0</td>
</tr>
</tbody>
</table>

Source: GATT Secretariat.

114. The level of bindings varies considerably among product categories. For example, it is estimated that only 16 per cent of tariff lines in dairy products, covering 3 per cent of imports in 1988, were bound. Similarly, only 35 per cent of lines for electrical machinery, covering 18 per cent of imports, were bound. At the other extreme, bindings cover 97 per cent of tariff lines and all imports of cut flowers, plants and vegetable materials, and 99 per cent of imports of grains, animals and meat products.
115. New Zealand is actively participating in the Uruguay Round tariff negotiations and is prepared to consider a large extension of bindings, subject to satisfactory progress in the Round.

116. Recently New Zealand has requested the renegotiation of tariff bindings on a number of steel products.

(c) Tariff concessions

117. Part II of New Zealand's Tariff provides a number of concessionary preferences which normally reduce the duty on such goods to free unless trade or other obligations dictate otherwise. Concessions may be granted for consumer goods as well as industrial machinery and raw materials and other products. In certain selected areas, Part I of the Tariff (The Standard Tariff) also provides "approval" and "determination" items. The items identify areas where there are low (determination items) or high (approval items) levels of local manufacture. Accordingly, the items facilitate the implementation of protective duty rates or issue of concessions, as appropriate. (Granting of tariff concessions can be prevented in certain cases by manufacturers through the Tariff Industry Assistance Scheme, see paragraph IV.155.)

(d) Tariff preferences

118. Many imports enter under preferential tariffs. All imports from Australia will be free of duty by 1 July 1990 under the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA). In addition, a range of goods obtain preferential duties when they originate in countries covered by several other preferential trade agreements.

119. New Zealand offers further tariff preferences in the framework of its general system of preferences for developing countries. New Zealand's GSP

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22 Such concessions are currently extended on articles for motor vehicle assembly, medicaments and pharmaceutical products, goods for educational, scientific or cultural purposes, goods imported under trade agreements with Australia, handmade products of developing countries, tourist-promotion products, disaster relief supplies, goods temporarily imported for use in products to be exported, goods under specific GATT commitments, goods imported on preferential terms from Brunei, Hong Kong and Singapore, heirlooms, bona fide gifts up to $NZ 110 million value, passengers' baggage and effects, goods for use in religion, and other goods.

23 These preferential arrangements include Canada, Malaysia, the United Kingdom, and the South Pacific Forum Island countries which fall under SPARTECA, the South Pacific Regional Trade and Economic Cooperation Agreement. (See Chapter II.)
policy was reviewed in the framework of the tariff reform. However, a number of product groups, such as some meat, fish, dairy and some other agricultural products, chemicals, leather, footwear, some building materials, tableware, some iron and steel products, motor vehicles and certain consumer goods are excluded from GSP treatment. Currently, New Zealand's GSP scheme benefits 146 countries, of which some 40 are least-developed. Duty-free access is granted to all imports from least-developed countries with some exceptions under industry development plans (apparel, footwear). All imports from Forum Island States are duty-free and exempt from import licensing.

120. From July 1986, New Zealand adopted a standard means for relating the developing country tariff rate to the normal rate, on items where the normal (m.f.n.) duty rate was being reduced or where a developing country rate was being created for the first time. Eighty per cent of the normal rate, or the existing rate if it was lower, applied and has resulted in wider margins of preference. At this time, product coverage was also extended.

121. Imports from GSP beneficiaries have grown both in absolute terms and relative to total imports. In 1983-84, such imports amounted to $NZ 403 million (vfd) or 4.9 per cent of the total merchandise imports and by 1986-87 to $NZ 1,105 million or 10.2 per cent of total. China, Taiwan, the Republic of Korea and Indonesia are the leading GSP beneficiaries.

122. Since March 1985, preferential treatment is withdrawn when countries or territories reach 70 per cent of New Zealand's GNP per capita. A beneficiary which has lost its GSP status will be reinstated if its per capita GNP subsequently falls below the benchmark level. As a result of this scheme, a number of countries ceased to be covered by New Zealand's GSP scheme.

123. A system of "product graduation" took effect from 1 July 1989. A GSP recipient country or territory is no longer granted GSP tariff

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24 For the latest notification on items excluded from New Zealand's GSP, see GATT document L/4366/Add.8, 29 May 1980.


26 Deletions from New Zealand GSP scheme include: 1981, Greece (upon accession to EEC); 1985, Bahrain, Bermuda, Brunei, French Polynesia, Guam, Kuwait, Libya, Nauru, New Caledonia, Oman, Qatar, Saudi Arabia, Singapore, Trinidad and Tobago, United Arab Emirates, Virgin Islands; 1986, Portugal and Spain (upon accession to EEC), Hong Kong; 1988, American Samoa, Bahamas, Netherlands, Antilles; 1989, Israel. Trinidad and Tobago was reinstated with effect from 1 July 1989.

27 GATT document L/4366/Add.21, 8 February 1990.
preference with respect to individual tariff items when New Zealand's imports from that country or territory under such tariff items exceed, in a trade year, benchmark levels of 25 per cent of total imports of this item and value for duty of $NZ 100,000. There is a procedure for reinstatement of GSP treatment if imports fall below the benchmark for two consecutive years. Some categories are exempted from product graduation.

(d) Customs valuation

124. Since 1982, New Zealand has been a signatory to the Agreement on Implementation of Article VII of the GATT. The provisions of the Agreement are contained in the Ninth Schedule of the Customs Act 1966. New Zealand has accepted the f.o.b. basis of valuation under the provisions of the Agreement.

125. Customs value is based primarily on the transaction value of the imported goods. The customs value excludes any overseas freight and insurance but includes any inland freight or inland insurance paid or payable by the buyer to the seller. Where any further classification is required the final recourse will be the contract documentation between the parties and the terms of sale stipulated therein. New Zealand Customs does not require the exporter to complete a special form of invoice. Normal commercial documentation, such as an invoice, bill of lading or receipt is acceptable.

126. The Customs Department currently offers a 24 hour entry clearance in respect of airfreight entries and Australian seafreight entries. Seafreight entries in respect of goods sourced other than from Australia have a processing time of within 48 hours. The Customs Department operates a free-of-charge "prelodgement" system under which customs import entries supported with invoices and origin certificates may be lodged ahead of the actual arrival of the importing vessel. By this means, Customs can complete the documentation check and have the entries ready before goods are discharged.

127. New Zealand legislation provides for rights of appeal against determination of customs value to the Collector of Customs. If the appellant remains unsatisfied on questions of law, an appeal can be lodged with the Administrative Division of the High Court.

(ii) Tariff quotas

128. New Zealand maintains tariff quota controls on wines of an f.o.b value of less than $NZ 2 per litre. Wine imported outside the allocated quota incurs a higher rate of duty. These controls will be removed from July 1990.

(iii) Other taxes and levies

129. In October 1986, a 10 per cent goods and services tax (value added tax) was introduced on all domestically produced and imported goods and services. For imports, the tax is based on the sum of the customs value of
imported goods, freight, insurance and any other duties or taxes. The tax is not imposed on exports. The rate of the tax was increased in July 1989, to its current 12.5 per cent.

130. Excise duties are levied on domestically produced and imported motor cars and other motor vehicles, gasoline and other motor spirits, tobacco, beer, wine and distilled spirits. The duties on tobacco and alcoholic beverages are adjusted on a six-monthly basis in accordance with movements in the consumer price index. As of July 1989, the duty on motor cars and motor vehicles was 7.5 per cent, on beer and wine was $NZ 15 per litre of alcohol and on spirits $NZ 30. On 1 November 1989, the initial rate on tobacco products was set at $NZ 100 per kilogramme of tobacco, and the excise duty on diesel was reduced by 5 cents to 11.2 cents a litre. (Table IV.5).

131. In addition to other taxes, an "Alcoholic Liquor Advisory Council Levy" is collected by the Customs authorities on all imported and locally manufactured liquor. The levy on New Zealand made wines is collected by the Wine Institute.

132. The Heavy Engineering Research Levy Act 1978 makes provision for the imposition of a levy upon the use of certain ferrous and non-ferrous metal plates, shapes and sections used in heavy engineering. The rate of the levy applicable from 1 January 1988 was set at $NZ 5.00 (plus goods and services tax) per tonne on some steel products. The rate for imported welding material has been set at 2 cents per kilogramme. This levy applies from 1 January 1989. The rate of the levy is equal for imports and domestic goods. In respect of imported goods it is collected by the Customs authorities and on domestic products by the Heavy Engineering Research Association.

28 Since the introduction of the goods and services tax the following amounts have been collected against imports: in 1987, $NZ 509.2 million; 1988, $NZ 1,328.1 million; 1989, $NZ 1,239.1 million.


30 The levy rates effective for year ending 31 March 1990 were 0.81 cents per litre for beer; 26.37 cents per litre of alcohol for spirits; 4.65 cents per litre for fortified wine; 2.84 cents per litre for unfortified wine; 4.65 cents per litre for spirits less than 23 per cent alcohol volume. In 1989 the amount of the levy collected was $NZ 5.23 million.

31 In 1989 the Heavy Engineering Research levy collected amounted to $NZ 0.36 million.
(iv) Import prohibitions

133. Prohibitions and restrictions affect some 70 products or classes of products (Table IV.6). The various prohibitions and restrictions are maintained for reasons relating to plant and animal quarantine, human health, dangerous goods and products seen as being against the public interest. Most of the restrictions are conditional, but some of them are absolute prohibitions. Over the last five years, a number of items have been removed from prohibition. Some others have been added to it.

134. The view of the New Zealand Government is that desired control objectives should be achieved wherever possible by methods other than import prohibitions and restrictions. In August 1988, the Government approved the following set of principles for assessing the continuation or introduction of import prohibitions and restrictions:

- the purpose of any import prohibitions or restrictions should be transparent, and so capable of clear definition and public statement;

- the form of control used should be the least-cost means in terms of resources required, impact upon consumer choice etc.;

- border control should be employed only when market mechanisms are unsuitable or when terms of international commitments oblige protection at the border;

- benefits should be general, and not limited to identifiable private businesses;

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32 Import prohibitions and restrictions that have been removed over recent years include textile net stiffened, printed or otherwise treated with lacquers containing cellulose nitrate, and garments made from any such material; second-hand bags and sacks; ultrasonic therapy apparatus suitable for application to the human body and capable of transmitting mechanical vibrations of the order of 600,000 cycles per second or more; empty second-hand drums; second-hand clothing, rugs, rags and flock; coffee; New Zealand money; sugar; and wheat.

33 Import prohibitions and restrictions that have been added over recent years include chewing tobacco, PCB, rubber teats, soothers and pacifiers (Toxic Substances Acts); chlorofluorcarbons (Customs Import Prohibitions (Chlorofluorcarbons) Order 1988); aquatic fauna (Customs Import Prohibition (Aquatic Fauna) Order 1989 and Amendment No. 1). Import prohibitions are also included in the Fair Trading Act 1986 (prohibiting the importation of goods with false trademarks or description and goods which breach a product's safety rules) and in the Trade in Endangered Species Act 1989.
import prohibitions or restrictions should not be used where legal remedies are already available;

- control agencies should ideally not be those requesting the import prohibitions or restrictions;

- import prohibitions or restrictions should be confined to a particular timespan, with a review factor built in;

- import prohibitions or restrictions should not substitute for public education (which might well be more appropriate).

135. An Ozone Protection Bill has been introduced into Parliament and has been under Select Committee examination. It is expected that it will prohibit the importation and sale of ozone depleting substances and associated technology as their use by New Zealand manufacturers is phased out.

(v) Import licensing

136. Extensive import licensing was introduced in 1938 as a foreign exchange control measure. Since the late 1970s, import licensing controls have been phased down. Import licensing continues to be considered as an industry assistance measure designed to foster the diversification of industry and the development of investment, production and employment in those areas subject to control. In consequence, some goods covered by the industry development plans for footwear, textiles, apparel and plastic tapes have remained subject to import controls. End dates are now, however, announced or in view for licensing on all these categories, and no such controls on any goods will remain as from 1 July 1992.

137. The proportion of imports subject to licensing in total imports has dropped considerably. In the early 1960s, about 75 per cent of New Zealand merchandise imports were subject to licensing. By 1984, 23 per cent of imports were licensed, and 8.4 per cent by 1988 (Table IV. 7). Currently,

34 GATT document L/5640/Add.18/Rev.2, 2 March 1990.

35 For the full list of product categories which are still licence controlled see Table IV.11. Programmes to liberalize licensing for key industries were developed as a result of a series of enquiries conducted by the Industries Development Commission and by Government department from the late 1970s through to the mid-1980s. A programme to phase out licence controls for goods not covered by industry plans was started in 1984 and a final date set in 1985. Changes to import licensing from mid-1987 to mid-1988 include the movement of over 400 categories to exemption and the movement of more than 130 categories to global licence on demand and to exemption from licensing under the ANZCERTA Agreement. On 1 July 1988, controls were removed on all goods outside industry plans.
Imports of licence controlled goods are about 3 per cent of total merchandise imports.

Chart IV.5
Percentage of licensed imports into New Zealand 1984-89

NZ$ billion

<table>
<thead>
<tr>
<th>Year</th>
<th>Licensed Imports</th>
<th>Total Imports (control)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1984</td>
<td>23.3%</td>
<td>12.6%</td>
</tr>
<tr>
<td>1985</td>
<td>16.3%</td>
<td>12.6%</td>
</tr>
<tr>
<td>1986</td>
<td>16.4%</td>
<td>12.6%</td>
</tr>
<tr>
<td>1987</td>
<td>14.1%</td>
<td>12.6%</td>
</tr>
<tr>
<td>1988</td>
<td>8.4%</td>
<td>12.6%</td>
</tr>
<tr>
<td>1989</td>
<td>3.0%</td>
<td>12.6%</td>
</tr>
</tbody>
</table>

Note: *estimate.


138. Goods subject to import licence control are specified in the First Schedule to the Import Control Regulations 1988. The following main types of import licences exist: Basic; Standard; Tender; Manufacturing input; ANZCERTA; the Special Trade License Scheme; Developing Countries Handicraft Scheme; Goods to be re-exported; and samples and demonstration goods.

36 It is important to keep in mind that these figures reflect not only the scope of import licensing, but also the restrictive effects of those licences.
139. The Basic Licenses were originally issued to importers based on established import history of the goods concerned. They are re-issued automatically each year to existing holders, about two months before the previous licence's expiry date. These licences can be cancelled by the importer if no longer required.

140. Under the standard policy, licences are granted for any specific good in a controlled category that can be shown not to be produced locally.

141. Tendering is the principal mechanism for the implementation of licensing. Import licence tendering was introduced in May 1981 as part of the move away from licensing towards the tariff and was intended to introduce an increasing element of competition into the import licensing allocation system.

142. Since 1984, the global allocation level for tendering has been set at 10 per cent, with subsequent annual increases set at 5 per cent of the domestic market for goods not covered by industry plans. According to the latest notification by New Zealand, an amount of licence equal to an increasing percentage of the domestic market has been made available by public tender each year for all controlled goods.

143. Under the tendering policy, allocations for tendered licences are determined annually or six monthly according to the programme for the goods concerned. Licence amounts available by tender are published twenty six days before the closing date for tenders. Licences are allocated in response to bids lodged direct with the Ministry of Commerce which is also the issuing agency. Each successful tenderer pays the premium he has bid. A deposit of 25 per cent must be paid with each tender to secure the licence and the balance must be paid within three months and before the licence is issued.

144. There is no expiration date on tender licences and they remain valid until completely drawn down. For textiles and footwear inputs, if the tender premium falls under 7.5 per cent for two successive years, the goods in question are then moved to "licence on demand" status, i.e. licences will be issued immediately on demand (Textile Industry Development Plan and footwear "inputs" in the Footwear Industry Development Plan). All other industry plans have end dates and therefore do not have trigger mechanism operating.

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37 L/5640/Add.18/Rev.2, 2 March 1990.

38 Tender prices are indicative of what importers are willing to pay for the right to import and are therefore broadly indicative of the height of protective barriers. The results of tendering have been sometimes used to calculate tariff equivalents.
145. Licences issued under the two Manufacturing Development policies are for inputs into domestic manufacturing operations.

- The Export Production Assistance Scheme (EPAS) aims to ensure that the import licensing system does not act as an impediment to efficient production for export. It does this by providing for New Zealand exporters to have access to imported raw materials and components wherever this is necessary to enable their own products to compete in foreign markets.

- The Manifestly Excessive Price/Quality Differentials Policy aims at encouraging cost containment in the manufacturing industry generally. There is provision to issue licences where it can be established that the prices of domestically manufactured raw materials, componentry, plant and equipment are manifestly excessive, or that their technology or quality is significantly deficient.

146. An Exclusive Australian licence was issued where increasing global import licensing did not significantly meet commitments under ANZCERTA to progressively increase access opportunity for goods of Australian origin. All Australian origin goods will be removed from control by July 1990.

147. Special Trade Licences have been granted for a number of years to allow for small allocations of imports from certain State-trading and developing countries. The scheme was terminated at the end of the 1986-87 import licensing period. However, to allow both importers and suppliers to consolidate their trading activities, Special Trade Licences are issued on the basis specified in the Import Licensing Schedule, January 1990 (100 per cent of actual usage in previous year, plus basic licence increase).

148. Developing Country Handicrafts Scheme licences are issued first to existing scheme participants up to the level of their existing licence holdings, and then to new participants or existing participants wishing to increase their licence holdings. Under this scheme, licence holders who do not substantially utilize their licences do not qualify for further licence issues. Imports under this scheme must be supported by a certificate of origin.

149. Under the scheme "Export of Goods Previously Imported" the intention is to replace, where justified, licences for imported goods which have subsequently been exported for sale by the importer.

150. Customs may grant licences of up to $NZ 1,000 for trade samples or for goods for demonstration purposes.

151. All applications for import licences are made to the Customs Department, except for tender licences. Applications can be made any time in advance of importation, or up to 60 days after importation. Goods are not released from Customs until a licence has been produced. As noted above, "on demand" licences are issued immediately. Depending on the type
of information required, the issue of other licences can take up to several weeks. Any refusal may be appealed, the final right of appeal being to the Minister of Commerce. Most licences are freely transferable between importers.

152. Industries covered by industry plans originally represented about 30 per cent of total industrial production. At present, sanitaryware, certain electrical ceramic goods, footwear, plastic tapes, shipbuilding, textiles and apparel, as well as wine, are under industry development plans. By the end of 1990, imports of sanitary ware, footwear components, children’s footwear, plastic tapes and handkerchiefs will be free from import licensing. Certain electrical ceramic goods, textiles, adults footwear, yarn and fabric are due for liberalization in 1991 and clothing in 1992. The tariff quota on low cost wines will be removed on 1 July 1990.

(vi) Rules of origin and local content provisions

153. New Zealand does not have a general system for the determination of origin for imports. The country of origin must be shown on footwear, clothing items and dry-cell batteries. New Zealand applies rules of origin to test qualification of goods claiming entry under preferential tariffs. These rules, contained in the Customs Regulations 1968, are based on the Kyoto Convention utilising the concepts of "wholly produced" and "substantial transformation by way of the ad valorem percentage criterion". In order to qualify for preferential treatment, it is necessary to achieve a country or area content level equivalent to 50 per cent of ex-factory or ex-works cost.

154. No minimum local content is required. However, certain components for completely knocked down vehicle kit imports must be entered separately at duty rates intended to protect local manufacturers of parts such as arm rests and door pulls.

155. Under Part II of New Zealand's Tariff, tariff concessions can be granted. However, a manufacturer can prevent the granting of a concession under the Tariff Industry Assistance Scheme if he achieves a set level of domestic content, equivalent to 25 per cent or more of ex-factory cost. The Tariff Industry Assistance Scheme is designed to retain existing duty rates for local manufacturers who produce "suitable alternatives" to imported products.

39 These included canned fruits, carpets, ceramics and glassware, electronics, footwear, gloves, margarine, matches, motor vehicles, plastics, rubber goods, sugar, steel, textiles, tobacco, tyres, wheat flour, wines and writing instruments.
(vii) Technical barriers: health and sanitary regulations; marking and labelling regulations

(a) Standards

156. New Zealand is an original signatory to the GATT Standards Code. It has both voluntary and mandatory standards. Mandatory standards are laid down in Acts or regulations administered by a number of Government departments or in local authority by-laws. The majority of standards applied are not mandatory.

157. The Standards Association of New Zealand (SANZ) has overall responsibility for the standards system. The Department of Health is responsible for standards relating to food offered for sale within New Zealand. These standards and the principles which underpin them are laid down in the Food Act 1981 and the Food Regulations 1984. The Department of Health is also responsible for food hygiene, and administers the Food Hygiene Regulations 1974 (and amendments) jointly under the Food Act and the Health Act. The Ministry of Agriculture and Fisheries is responsible for sanitary and phytosanitary regulations which pertain to primary products entering or exported from New Zealand.

158. New Zealand's general policy in the field of standardization is to promote the adoption of international standards. The Memorandum of Understanding on Harmonization of Technical Barriers to Trade, adopted at the 1988 ANZCERTA Review, sets out a basis for encouraging further harmonization of Australian and New Zealand standards, certification, testing procedures and domestic marking and labelling. In addition to international standards, New Zealand closely follows the relevant standardization activities of the United Kingdom, Canada, the United States and the member States of the EC.

(b) Marking and labelling

159. In general, marking and labelling is required on food, as detailed in Regulations 3-20 of the Food Regulations, and on drugs. The Merchandising Marks Act of 1954, as amended, is designed to ensure that goods are not incorrectly marked or advertised as to their nature, quality, or the place where they are manufactured or produced. The Wool Labelling Act specifies that wool products, defined as any product containing 50 per cent or more by weight of wool, must be marked to show in English the trade description of the main fabric in the product and the percentage by the weight of the wool in the product. A care labelling system for textiles and clothing is in preparation.

40 The Standards Association of New Zealand is the enquiry point for questions relating to the Code.
(c) Quarantine

160. New Zealand, being an island, is relatively free from plant and animal pests. One of the primary objectives of New Zealand's authorities is to remain protected from the introduction of any organism which is considered to be an unacceptable health or environmental hazard. New Zealand imposes strict quarantine conditions on imports of plants and animals and their products.

161. Many of the pests considered important by New Zealand are not necessarily those included in internationally recognized important pests of animals and plants. For example, for animal diseases the Office of International Epizooties produces a schedule of diseases. However, this is not an exhaustive list of those animal pests considered important from a New Zealand perspective. In the case of plant pests, specific fruit fly species are of utmost concern.

162. Importation decisions are based on risk assessments in regard to the list of significant animal, plant or environmental pests. The criteria for risk assessment are: biological considerations, market access effects, economic consequences of damaging introductions, environmental and human health and welfare considerations. However, issuing an import permit is at the discretion of Agriculture and Fisheries (Chief Veterinary Officer and Chief Plants Officer). Issuing an import permit is not automatic even if all the biological and socio-economic factors have been considered. Where appropriate, potential imports are subject to preshipment quarantine; otherwise, imports are subject to quarantine after they have arrived in New Zealand. For certain specified pests all testing and inspections carried out in preshipment quarantine will be repeated during post-entry quarantine.

163. New Zealand requires that the importation of products subject to quarantine considerations be covered by a signed bilateral quarantine agreement between the New Zealand Ministry of Agriculture and Fisheries and the appropriate Government department of the exporting country. These bilateral agreements signed with about 150 countries describe the activities the exporting country undertakes to meet New Zealand's quarantine requirements. In August 1988, New Zealand and Australia signed a "Protocol on Harmonization of quarantine Administrative Procedures to the Australia New Zealand Closer Economic Relations - Trade Agreement".

164. Following New Zealand's strict quarantine requirements, a number of materials may not be used in the packing of goods imported into New Zealand. Wooden or plywood packing cases, crates, wooden containers, cargo pallets or packing blocks must be free from bark or visible signs of infection by insects or fungi attack.

165. New Zealand has been criticized for adopting a hard-line attitude in respect of quarantine restrictions. New Zealand considers that its actions are fully justified in the light of its specific position. New Zealand, as member of the Cairns Group, supports the work started in the Uruguay Round in the field of long-term harmonization or acceptance of equivalency of
national regulations and standards concerning sanitary and phytosanitary issues.

(viii) Government procurement

166. New Zealand is not a signatory to the Code on Government Procurement. According to the New Zealand authorities, the value of its contracts did not seem to warrant membership thus far, and certain preferential provisions of national procurement practices would not have been in conformity with the Code. Such provisions have now been virtually eliminated, and the question of accession to the Code is under review.

167. Currently, New Zealand Government purchasing policies favouring domestic production apply only to goods subject to import licensing. In these cases, a Government purchasing department must apply a 10 per cent notional loading against ex-indent tenders from overseas countries when there is a competing tender from a New Zealand supplier. This was designed to replicate, in Government purchasing, the effect of the residual import licensing on private sector imports of the same goods. As import licensing will fully disappear in July 1992, no preferences will be applicable in government procurement form that date.

168. Moreover, the 10 per cent loading is already no longer applied against Australian suppliers since New Zealand joined the Australian National Preference Agreement on 1 June 1989, as agreed at the 1988 ANZCERTA Review. New Zealand joined the National Preference Agreement on the basis of a "zero" notional preference while accepting all the other principles laid down in the Agreement relating to non-discrimination in tender arrangements.

169. State-owned enterprises are not compelled to apply the loading, but like private sector importers, must obtain a licence in order to import any goods still under licence control. All Government departments or agencies and State-owned enterprises are also on a par with the private sector in being required to pay customs duty, excise and goods and services tax on their imports.

(ix) Safeguards

170. The Temporary Safeguards Authority Act 1987, based on Article XIX of the GATT, provides for urgent temporary safeguard measures to be taken to allow an industry to adjust to changing economic circumstances resulting in increased competition from imports. Any New Zealand industry may apply to the Minister of Commerce to initiate a Temporary Safeguards Authority inquiry, with supporting evidence of material injury to the industry caused by a surge of imports. The Authority (person appointed by the Minister of Commerce) may report to the Minister that urgent action is necessary providing that the causal link between the importations of the goods and material injury is substantiated. The Authority may recommend the following measures to alleviate injury: customs duties; import quotas; production bounties; or any other action. The measures may only be applied for 12 months.
171. New Zealand has taken safeguard action under Article XIX of GATT only once, in 1975 under its previous Emergency Protection Authority legislation. This Authority was replaced by the Temporary Safeguard Authority Act 1987. Under the new legislation, a request to safeguard footwear imports was lodged with the Ministry of Commerce in May 1989. Although the Authority recommended that safeguard action be taken, the Minister of Commerce declined to accept the recommendation.

(x) Anti-dumping and countervailing duties

172. While a member of the Subsidies Code since 1981, New Zealand accepted the Anti-Dumping Code as recently as 6 May 1988. At that time, it submitted its legislation for examination by the signatories of both Codes. The primary reason why New Zealand did not accede earlier to the Anti-Dumping Code is that relatively few dumping complaints were received due to the protective effects of the import licensing régime. With the introduction of the programme for removing import licensing more attention was focused on anti-dumping measures and the issue of accession to the "Anti-Dumping" Code was reconsidered.

173. The Dumping and Countervailing Duties Act 1988, which is based on Article VI of the GATT, replaced Part V.A. of the Customs Act 1966 from 1 December 1988. Responsibility for the administration of the legislation has been transferred from the Customs Department to the Ministry of Commerce.

174. According to the new Act, after an investigation of a complaint has been initiated by the Secretary of Commerce, preliminary determination must be made by the Minister of Commerce within a maximum of 90 days and a final determination within another 90 days. The amount of duty shall not exceed, in the case of subsidized goods, the amount of the subsidy, and in the case of dumped goods, the difference between the export price of the goods and their normal value (the normal value being defined as the price at which like goods are sold in the ordinary course of trade for home consumption in the country of export).

175. There is no appeal mechanism with regard to the substance of decisions made by the Minister or Secretary of Commerce. However, concerning points of law, an application may be made to the New Zealand High Court for judicial review of a decision made under statutory powers regarding anti-dumping or countervailing action. The Court may in such cases, rule that a decision made in the exercise of a statutory power is unauthorized or otherwise invalid, or may, instead of making such a ruling, set aside the decision.

176. The new Act also provides for the revocation and review of anti-dumping and countervailing duty measures on the Minister's own initiative, or upon request from an interested party providing there is evidence to substantiate the need for review. No "sunset" clause is contained in the legislation. However, an administrative decision has been taken that, where no request for a review is received from an interested
party, the Minister will review the need for the continued imposition of anti-dumping or countervailing duty within two years.

177. Table IV.8 shows the number of anti-dumping actions taken over the last several years (twenty-one actions between 1982 and 1990). Anti-dumping duty was imposed in ten cases. The largest number of anti-dumping cases has been initiated against Australia (10 cases). The main products involved were agricultural commodities (5 cases), metals (4 cases) and chemicals (2 cases).

178. In the 1980s, four countervailing actions have been initiated, one taken prior to 1987 (Table IV.9). One definitive countervailing duty was applied in 1987 to imports of aluminium passenger catamarans from Australia. Australia was also involved in cases related to tugs and wheat. In 1988, an action was initiated against Denmark, Canada and the Netherlands in respect of their edible rapeseed oil. The case was terminated.

179. At the 1988 review of the Australia-New Zealand Closer Economic Relations Trade Agreement the two parties agreed that, following simultaneously with the achievement of free trade and the application of each country’s competition laws to anti-competitive conduct affecting trans-Tasman trade, anti-dumping measures are to be removed from 1 July 1990. Recourse to countervailing action will continue to be available in accordance with the original provisions of the ANZCERTA.

(xii) **Countertrade**

180. The Government of New Zealand has no general policy of promoting any form of countertrade. In Government procurement, although there is no mandatory requirement for offsets or counterpurchases, tenderers for Government contracts are invited to submit counterpurchase or credit terms which are taken into consideration, when all other criteria are equal, between alternative bids.

(3) **Measures Directly Affecting Exports**

(1) **Export prohibitions and restrictions**

181. The principal authority for New Zealand’s export prohibitions and restrictions is the Export Prohibition Regulations 1953. Export restrictions are, however, also maintained under a number of other Acts and regulations. Reasons for export restrictions include human or animal health, conservation of species, antiquities or cultural items, pest control, quality control of exported products, marketing controls associated with Marketing Boards or Authorities, and controls on strategic

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products in line with COCOM (Coordinating Committee for Multilateral Export Controls) guidelines.

182. Table IV.10 lists current export controls. Over recent years, a number of products were removed from the list. There have been also some additions to the list. Export prohibition on copper scrap will be removed between New Zealand and Australia by 1 July 1990.

(ii) Export subsidies

183. Export subsidies have been markedly reduced. The 1985 budget terminated the Export Programme Suspensory Loan Scheme and initiated the phasing out of special tax credits under the Export Market Development Tax Incentive Scheme over the period to 31 March 1990. This incentive was available to taxpayers who incurred expenditure for the purpose of seeking markets, the retention of existing markets, obtaining market information, market research, creating or increasing demand for the export of goods and services, attracting tourists to New Zealand. Tax credits accrued under this scheme were valued at $NZ 51 million, $NZ 54 million, $NZ 26 million and 32 million for the years 1986 to 1989, respectively.

184. A further export promotion measure, the Export Performance Taxation Incentive, authorized by the Income Tax Act 1976, was abolished in 1987. In fiscal year 1986, the incentive payments had amounted to $NZ 201 million.

(iii) Export promotion

185. The New Zealand Trade Development Board, a new semi-governmental organization, was formed in December 1988 from a merger between TRADECOM (the Trade Commission Service of the former Department of Trade and Industry) and the New Zealand Market Development Board. The function of the Trade Development Board is to foster the development and expansion of New Zealand's foreign exchange earnings by assisting New Zealand business to develop overseas.

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42 Coal; paua meat; farmed paua in the shell (dead or alive); margarine; coffee; ferrous and stainless steel scrap metal.

43 Goats; computers; electronic and telecommunication equipment to South Africa, chemical weapons, trade in species following the implementation of the Endangered Species Act 1989 and the New Zealand Horticulture Export Authority Act.

44 GATT document, L/5947/Add.11, L/6111/Add.20, L/6450/Add.7.

45 GATT document, L/5947/Add.11.
186. Fully financed by the Government, the Trade Development Board maintains regional offices within New Zealand whose function is to advise local companies on export related business matters, and overseas representatives linking exporters with foreign partners. Within New Zealand it motivates, trains and assists exporters, disseminates information, and participates in research, development and commercialization of new initiatives.

187. Currently the Board, together with export-oriented New Zealand companies, participates in 15 programmes covering different sectors in order to help companies to work out appropriate industry strategies and marketing programmes. The product areas range from food and beverages to software and tourism. Programmes are carried out on a cost-sharing basis. The Board generally covers 50 per cent of the costs, the rest being born by the interested companies.

188. The Board cooperates with Ministries in different fields, for example, in matters of quality control, with the Ministry of External Relations and Trade and the Ministry of Agriculture and Fisheries. The latest economic statement of the Government envisaged a major new three-year programme for the Trade Development Board involving new drives to target specific overseas markets and to enhance export excellence.

(iv) Export credit insurance scheme

189. In accordance with the Export Guarantee Act 1964, the task of the Export Guarantee Office is to promote the export trade of New Zealand and assist the expansion of New Zealand's foreign exchange earnings by providing the export sector with an export credit insurance scheme on a commercial basis. The current goals of the Export Guarantee Office are, inter alia, to provide a high quality export credit insurance service at reasonable cost consistent with sound underwriting practices; and to establish sufficient reserves to ensure the maintenance of a sound commercial base allowing for expansion of business.

190. Guarantees issued in 1988 increased by 29 per cent to $NZ 43.2 million. The value of insured export in 1988 was $NZ 981.7 million. Export commodities insured in the last few years include foodstuffs, hides and pelts, meat, metal and machinery, textiles and apparel, wool, other primary produce, other manufactured goods. In 1988, exports made on credit terms represented almost 60 per cent of all business insured.

(v) Export restraints

191. Voluntary export restraints or export quotas have been applied to New Zealand exports of agricultural products for several years. As of 1 January 1989, New Zealand was limited to 205,000 tons of lamb deliveries to the EEC, down from 245,000 tons in the previous year. (However, the 10 per cent EC import duty has been reduced to zero.) Chilled lamb exports to the EC were limited to a quota of 6,000 tons in 1989, to be increased by 1,500 tons for each succeeding year until 1992.
192. Under the EC butter quota system, exports of butter from New Zealand were fixed at 64,500 tons in 1989, a reduction of 10,000 tons from 1988. At the same time, the special import levy was reduced from 25 per cent to 15 per cent. Further reductions in quotas are already scheduled: 61,340 tons in 1990; 58,170 tons in 1991; 55,000 tons in 1992.

193. Under a Memorandum of Understanding on dairy products (MOU), annexed to the ANZCERTA, the growth in New Zealand exports of cheese is related to the growth in the Australian market for cheese. From 1 July 1990, this Memorandum will cease to be part of the ANZCERTA, and trade in dairy products will be conducted on a basis that is free and fair in all aspects consistent with the principles and objectives of ANZCERTA.

194. In the United States market, New Zealand's largest market for beef exports, the Meat Act of 1979 has had the effect of subjecting New Zealand's beef exports to voluntary export restraints still well above New Zealand's export capacity. Exports to the United States amounted to 199,000 tons in 1987 and 205,000 tons in 1988.

(vi) Minimum prices

195. As a member of the International Dairy Arrangement, minimum export prices apply to all dairy products covered by the three Protocols. New Zealand was often a seller of cheese below prices under the derogations permitted until the recent firming of the dairy products market.

196. Minimum export prices on meat were abolished in 1986.

(vii) Export duties

197. New Zealand does not impose export duties or charges.

(4) Measures Affecting Production and Trade

(i) Industry development plans

198. The Industry Development Plan Programme derives from announcements in the 1976 and 1977 budgets. Most of the current or recently-concluded plans emerged directly from the series of inquiries conducted by the Industries Development Commission from the late 1970s through to the mid-1980s. Although several plans covered a number of policy areas (e.g. investment allowances, excise phasing, energy concessions, price control exemptions and industry standards), the principal focus was on border controls.


199. Industries accorded special assistance under industry development plans were usually selected on the grounds of their sensitivity to competition from imported products. Several plans covered industrial intermediate products, notably steel, rubber goods and plastics. While valued as employers, these industries were also seen to have the potential to achieve international competitiveness provided they were allowed time to rationalize and adjust by moving resources into segments least affected by imports from mass producers.

200. Industries have usually been assumed to have developed to a sustainable form by the time their scheduled import licensing phase-out programmes have been completed. (See Table IV.11.) Import licence tendering programmes, typically running for three to five years, were intended to allow time for industry rationalization, while the continuing programme of tariff reductions provides an incentive for further efficiency improvements.

201. Although special assistance régimes have been maintained for certain industries, the Government's industry assistance policy has moved away from the earlier sectoral orientation which led to the formulation of a variety of industry-specific packages. Current policies aim to achieve lower and more uniform assistance.

202. Termination dates for almost all plans were announced at the times of their implementation. Exceptions were footwear and wheat flour. The earlier plans were considered to have terminated when the goods reached the point of exemption from import licensing. More recently, with relatively greater emphasis on tariffs, the plans have been regarded as continuing until the completion of any transitional tariff phasing and the application of the global tariff programme. Several plans terminated with effect from 1 July 1990.

(ii) Internal support

203. New Zealand has made regular and timely notifications pursuant to Article XVI:1. New Zealand also accepted the Agreement on the Interpretation and Application of Articles VI, XVI and XXIII (the "Subsidies" Code) on 15 September 1981 with the reservation that, by 31 March 1985, it would have taken all necessary steps to ensure conformity of its laws with the provisions of the Agreement.

48 Article XVI of the General Agreement requires contracting parties to notify subsidies "including any form of income or price support, which operates directly or indirectly to increase exports of any product from, or reduce imports of any product into, its territory". The Article goes on to state that contracting parties shall abolish subsidies on exports of non-primary products and should seek to avoid the use of subsidies on the export of primary products. The latest notification of New Zealand was made in December 1987, GATT document L/6111/Add.20.
204. Many subsidies have been removed in New Zealand or are being phased out in light of New Zealand's ongoing programme to orient its economy towards free competition and minimal Government intervention. The most recent notification by the Government of New Zealand to the GATT suggests that three subsidy programmes are still in place. First, there is the Agricultural Pest Control, to be phased out by 1993-94. In 1988-89, expenditure on this item was $NZ 4.2 million and will be $NZ 3.4 million in 1989-90. The second programme relates to the control and eradication of animal diseases. Expenditure in 1988-89 was approximately $NZ 4.0 million and is estimated to be around $NZ 2.2 million in 1989-90. And third, there are the Fishing Vessel Refrigeration Suspensory Loans. In 1988-89, expenditure was less than $NZ 25,000. The Export Market Development Taxation Incentive was terminated on 31 March 1990.

205. From the late 1970s to the mid-1980s, Supplementary Minimum Prices were applied to pastoral agricultural products. As initially conceived and implemented, the scheme guaranteed prices at forecast market levels for two years ahead. Later, in relation to sheepmeat, prices were set above market rates to maintain producers' incomes. The short fall between realised (or Marketing Board minima) and guaranteed prices was made good by open-ended public subsidies. The scheme was intended to be temporary pending a review of all export assistance and exchange rate policies. It was terminated in the 1984-85 season. (On Land Development Encouragement Loan Scheme, Livestock Incentive Scheme, interest rate concessions, price supports and tax rebates, see Chapter V, paragraphs 223-226).

(iii) Government incentives for research and development

206. Apart from the exceptions specified below, the New Zealand Government only funds research and development which is for the public good (i.e. in the interests of the wider community) and not commercially appropriable. The exceptions include the emerging technology scheme whereby the Government funds short-term employment in the private sector of scientists from universities or government science departments (about $NZ 4 million a year); and a government-funded training programme for technicians ($NZ 600,000 a year).

207. Under Section 144 of the Income Tax Act the Commissioner of Inland Revenue may approve any tax reduction considered appropriate for expenditure shown to have been incurred in scientific research (up to 100 per cent).

208. In its economic statement on 20 March 1990, the Government announced that it would invest an additional $NZ 5 million over the next three years in three areas. The aim is to encourage greater private sector investment in research and development and to encourage scientific excellence. 
(i) Funds will be made available to meet research needs of small, newly established companies which do not have their own research capacity. These funds will be available to meet part of the costs when such companies contract for assistance of public research agencies. (ii) The Government will increase the funding available for new growth technology. (iii) A
series of prizes and scholarships for excellence in innovation and inventiveness will be established.

(iv) Regional development schemes

209. The Regional Development Investigation Grant (RDIG) Scheme has been designed to help stimulate innovative, economically viable, and self-sustaining developments which are new to regions based on their identified resources and development opportunities. Under the scheme individuals, businesses, groups and organizations, including local authorities, can apply for funding to assist with costs incurred in investigating the feasibility of proposed new developments.

210. A standard rate of funding is available in each region; a grant approved under the RDIG Scheme will meet at 50 per cent of qualifying investigation costs. The maximum grant is $NZ 50,000, per project. The annual budget for RDIG is currently $NZ 12.2 million.

211. The New Business Investigation Grant (NBIG) helps registered unemployed people and people who have been made redundant through plant closures or retrenchment. Under the Scheme such people can apply for funding to assist costs incurred in investigating new business proposals within any region of New Zealand.

212. A standard rate of funding is available; a grant approved under the NBIG Scheme will meet 80 per cent of qualifying investigating costs, up to a maximum of $20,000 per project. The annual budget for NBIG grants is currently $NZ 5 million.

213. Decisions regarding applications submitted under the Regional Development Investigation Grant Scheme and New Business Investigation Grant Scheme are made by the Ministry of Commerce subject to initial assessment and recommendation from regional Business Development Boards.

(v) State trading

214. Until just a few years ago, the public sector of New Zealand was via the ownership of trading enterprises, involved in a significant range of economic activities. In 1985, these accounted for 12 per cent of GDP. Activities included mining, civil engineering, banking, air and sea transport, tourism and public utilities. Statutory marketing boards were empowered to acquire and market many New Zealand's main agricultural products (except wool) such as wheat and flour, apples and pears, honey, hops, eggs, dairy products, potatoes. Currently the Dairy Board, the Apple and Pear Marketing Board, the Kiwifruit Marketing Board and the Raspberry Marketing Council enjoy monopoly export rights on products

49 New Zealand's latest notification on State trading is contained in GATT document L/5109/Add.12, September 1981.
covered by their statutes. The Wool Board and the Meat Board do not have this exclusive rights power but they have licensing authority over other exporters.

215. The New Zealand Export Import Corporation, a trading organization owned by the Government, acts, *inter alia*, as a purchasing and selling agent for the Government. It also carries out import and export transactions on behalf of the New Zealand private sector on request. The Corporation is also involved in providing consulting and advisory services and in trade promotion.

216. The 1985 budget announced measures to increase the efficiency of Government departments and State-owned enterprises. Government trading activities have been reformed with the establishment of the State-owned enterprises policy. This regulatory reform aimed to set enterprises on a commercial footing by requiring that financing come from private financial markets and that State-owned enterprises be required to pay taxes. As a result of this corporatization and subsequent privatization, Government subsidies, excluding tax concessions, in New Zealand are among the lowest in the OECD, half a per cent of GDP in 1988. The Government has continued to announce and introduce such regulatory reforms between in 1988 and 1990. In particular, major initiatives have been made in transport energy and communication markets. On 20 March 1990, the Government announced that the Telecom Corporation would be sold to private shareholders.

50 The first major group of SOEs created were: Electricorp., Telecom, New Zealand Post, the Post Bank, the Forest Corp., the Coal Corp., Government Property Services, Airways Corp. and Landcorp. OECD, footnote 27.
V. Trade Policies and Practices by Sector

217. This Chapter seeks to present a picture of trade policies as they affect individual sectors of New Zealand's economy. It is organized by product categories according to the GATT Tariff Study format, which permits an assessment of tariffs (and other measures) by stages of processing within each section. Broadly, they are divided into agriculture, minerals and manufacturing.

1. Agriculture

218. New Zealand depends heavily on agriculture for export earnings. While farming accounts for only 6 to 7 per cent of GDP (down from 15 per cent in the 1960s), around two-thirds of exports are agricultural.

219. As New Zealand is a net exporter and leading supplier of a number of agricultural products, its farm policies have an impact on the world trading system. However, it is also considerably influenced by policy developments in larger markets, and by external import barriers.

220. Given New Zealand's limited demand for imports of major unprocessed agricultural products, protection on these items has been low in recent years. Average tariff rates are less than 5 per cent on primary agricultural products. However, there is substantial tariff escalation on processed products, where duties can rise to 25 per cent. By the end of 1989, imports of all products covered by food industry plans (wheat flour, canned fruit, starches and margarine), had been freed from licence controls.

221. Historically, New Zealand's vulnerability to fluctuations in world market prices for agricultural products led to farm policies designed to smooth farmers' revenue flows. The main approach was the establishment of price stabilisation schemes administered by statutory Marketing Boards with monopoly purchase and marketing rights for export sales.

222. In the mid-1970s, the emphasis of agricultural policy switched to production-related assistance, leading to the introduction in 1978 of Supplementary Minimum Prices (SMP). Under this scheme, prices were guaranteed at forecast market levels for two years ahead. The shortfall between realized and guaranteed prices was covered by public subsidies. Up to 1980, agricultural assistance also broadly compensated farmers for high input costs resulting from New Zealand's high protection of the manufacturing sector. Input assistance was reduced by the termination of subsidies in mid-1986 for the consumption and transport of fertilizers and

51 A list of the categories used is given in Table IV.3.
the cessation of livestock incentive schemes. Government funding of inspection and grading services was first reduced and recently eliminated.

223. In the late 1970s, two programmes to encourage investment in increasing the productive capacity of pastoral land were introduced: the Land Development Encouragement Loan Scheme and the Livestock Incentive Scheme. Although these schemes ceased in 1982, assistance through partial or full suspension of capital repayments will continue for some years yet, amounting to $NZ 13 million in the fiscal year ending March 1990 and $NZ 8 million in 1991.

224. Since 1984, agriculture, like other sectors, has been subject to progressive liberalization of border measures. Today, much of New Zealand agriculture operates in a largely market-oriented environment with few protective barriers to imports or Government assistance. Further agricultural policy reforms focus on the marketing environment for New Zealand's own products, including Producer Board and Rural Bank reform as well as the liberalization of livestock exports.

225. Interest rate concessions, price supports and tax rebates, which were the major elements of assistance to farming, have all been progressively reduced. Interest rates on all subsidised loans held by the Rural Banking and Finance Corporation (privatized in mid-1989) have increased and will reach market level by 1991. Tax rebates started to be phased out over four years commencing in the 1988-89 income year.

226. As can be seen from Table V.1, the effective rate of assistance to pastoral agriculture, which accounts for approximately 65 per cent of the value of New Zealand farm output, has declined from 123 per cent in 1983 to negative assistance in 1989 and 1990. The most dramatic decline having been in sheepmeat since 1987, relatively high rates of assistance remain in

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53 Interest rate concessions granted in previous years were worth an estimated $NZ 92 million to the pastoral sector in the year to March 1989, falling to a forecast $NZ 26 million in the year to March 1990. A further decline of the order of at least $NZ 8 million is forecast for the calendar year ending March 1991.

54 The estimated value of assistance delivered to the pastoral sector via taxation concessions was $NZ 104 million in the year to March 1984 falling to $NZ 13 million in the year to March 1989, to $NZ 10 million in the year to March 1990 and is forecast to fall by a further $NZ 5 million in the year to March 1991.
the poultry and egg industries. Assistance to value adding factors, and hence the effective rate of assistance, has fluctuated considerably due to stabilization account debt write-offs in 1984 and 1987.

227. Table V.A also shows the structure of assistance to pastoral agriculture over the last twenty years. Since 1987, direct input and output subsidies have become negligible, and remaining assistance is in the form of assistance to value adding factors, such as through interest and taxation concessions.

228. Health and sanitary regulations apply equally to imported and domestic products. In the case of imported low acid canned foods, a certificate is required from a Government agency in the originating country to the effect that the product has been manufactured in accordance with a recognized code of practice (e.g. the International Codex or the United States or Australian Codes). Locally manufactured low acid canned foods are subject to the same requirement. In the case of pesticide residue tolerances, imports are acceptable if they meet FAO Codex Alimentarius regulations. (For general quarantine requirements on imports of plants and animals and their products, see Chapter IV, paragraphs 160-165.)

(i) Live animals and meat (Table V.2)

229. New Zealand is a signatory to the GATT Arrangement Regarding Bovine Meat.

230. Meat and meat products are New Zealand's leading exports, amounting to over US$2 billion, or one-sixth of total merchandise exports, in 1988. In volume terms, beef and veal exports were 281,000 tonnes in 1988 and lamb and mutton 435,000 tonnes. New Zealand has recently fallen from second into third place amongst world exporters of beef.

231. Imports of live animals and meat account for less than 0.5 per cent of New Zealand's imports. Live animals, fresh beef and fresh sheepmeat enter duty free. Pork faces a 12 per cent m.f.n. duty in 1990, reducing to 10 per cent by 1992. The tariff on prepared meat is generally 8.5 per cent, but preparations including vegetables bear a duty of 17.5 per cent (14.5 in 1992). Imports from Australia are duty free.

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55 OECD (1990), Committee for Agriculture, PSE and CSE Tables 1979-1989, tables 10 and 13. It should be noted that prices of domestic and overseas poultry products are not comparable because of the disease-free status of the New Zealand flock: New Zealand poultry product is guaranteed disease-free.

56 Ministry of Agriculture and Fisheries, Wellington, (1989), Situation and Outlook for New Zealand Agriculture 1989, Table 41.
Imports of meat and meat products have been free from import licensing since the mid-1980s.

(a) Marketing

232. The New Zealand Meat Producers' Board is the State-trading organization which is responsible for production and trade in meat. It was constituted in 1922 as a statutory body to protect national and producers' interests. The Board is funded by a compulsory Meat Producers' Board Levy collected on all sheep, cattle and goats slaughtered in New Zealand.

233. The Board's principal functions are promotion, research, market intelligence, orderly development of export markets for New Zealand meat, licensing of meat exporters, negotiation of overseas freight rates and grading for export. The criteria for the licensing of meat exporters are: companies must show that they have a guaranteed source of supply of meat; companies should name an importer for their meat; companies should indicate which market sector they are aiming at; and companies must give evidence that they have a market plan. The Board is also responsible for quantity certification, to ensure that meat exports keep within VRAs or quotas imposed by other countries.\(^5\)

234. The Board has powers to trade in meat, but does not have compulsory powers to acquire New Zealand meat. The Board's meat trading activities are undertaken "at arm's length" by subsidiary and associate companies of a Board holding company. These companies operate in competition with other commercial enterprises in the meat industry. There is no monopoly on meat imports.

235. The Pork Industry Board Act 1982 set up a statutory marketing authority which has the power, subject to normal commercial considerations, to acquire, export and import pigs, pork and pork products. The Board is funded by a levy on pigs slaughtered. Funds are used for promotion and research activities. The Board currently only purchases and sells live pigs. New Zealand pig meat rarely enters the export trade.\(^5\) The Board is not an import monopoly.

(b) Health and sanitary regulations

236. The Animals Act of 1967 regulates the health and sanitary conditions on importation of animals and animal products. According to Section 13 of the Animals Act, no person shall import or introduce any animal or animal

\(^5\)GATT document AG/FOR/REV/NZL/1, 14 August 1987, p. 62.

\(^5\)GATT document AG/FOR/REV/NZL/1, 14 August 1987, p. 66.
product without the written permit of the Minister or of a person authorized by him in that behalf; or in contravention of any regulations made under the Act; or in contravention of Section 14 of the Act which prohibits the importation of some animals. Section 12 regulates the control of importation of animals and prevention of introduction of disease.

(c) Overall assistance

237. The Meat Export Prices Act 1976 established a price support mechanism for bovine meat, administered by the Meat Producers' Board. Up to 1 February 1981, it obtained funds from a levy on all meat exported (except canned meats and offal). After that date, the levy was extended to cover meat for both domestic and export consumption (excluding pigmeat) and collected as a per head charge at the time of slaughter. Representative levies in 1985-86 were $NZ 0.20 per lamb and $NZ 2.00 per head of cattle. In September 1986, the Government announced its intention to repeal the Act. Minimum prices for export meat were set at 1 cent per kilogramme starting from October 1986. The Meat Export Prices Act was repealed in December 1989.

238. In terms of the PSE, assistance in the beef sector dropped from 13 to 4 per cent (gross percentage Producer Subsidy Equivalent) between 1986 and 1989, and is estimated to be 2 per cent in 1990.\(^{59}\)

239. In 1985 the Government decided that the marketing of sheepmeat could be progressively handed back to the private sector. From 21 December 1985 the Board totally ceased to control New Zealand sheepmeat exports. The gross PSE for sheepmeat has fallen from 75 per cent in 1986 to 5 per cent in 1989 and an estimated 3.6 per cent in 1990. Imports of meat have been exempt from licensing, while exports remain subject to licensing.

(d) Export restraints and other problems in external markets

240. Since 1980, an export restraint arrangement on sheepmeat has been in effect between New Zealand and the European Communities, with export quotas for frozen lamb specified annually. From 1980 until 1988, exports were limited to 245,000 tons and in 1989 reduced to 205,000 tons. In 1989, New Zealand was also granted a quota of 6,000 tons of chilled lamb, to be increased by 1,500 tons for each succeeding year until 1992.

241. In the United States market, beef and veal exports from New Zealand were restricted to 439 million pounds weight in 1987 and 205 million pounds

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\(^{59}\)OECD (1990), op. cit. under 55, table 8.
in 1988 in the form of voluntary export restraints. The United States also levied a countervailing duty on New Zealand lamb export during the period 25 June 1985 to 31 March 1986. The preliminary determination made by the US Commerce Department was successfully challenged by the New Zealand Meat Board and, as a consequence, exporters received a refund. The US Commerce Department, at the Board's request, is reviewing the rate of levy collected over the period 1 April 1986 to 31 March 1987. A review request was also introduced concerning the period 1 April 1987 to 31 March 1988.

(ii) **Dairy products** (Table V.3)

242. Dairy products are a major source of export earnings for New Zealand ($NZ 1.7 billion, or 14 per cent of total merchandise exports in 1988). New Zealand is a leading supplier to world markets of most dairy products, in particular milk powder, butter and cheese (Table V.4). With 281,000 tonnes of butter produced in 1988, New Zealand is the fifth largest producer in the world, after the Soviet Union, United States, France and the Federal Republic of Germany.

243. Imports are minimal (under 0.01 per cent of total imports). While butter and cheese enter duty-free, fresh milk faces a tariff of 8.5 per cent; concentrated milk 15 per cent; and yogurt 17.5 per cent. The general tariff reduction programme applies. No dairy products are subject to import licensing requirements. No quantitative restrictions affect dairy products.

(a) Marketing

244. The dairy industry operates on a cooperative basis, with producers having full control over both production and domestic marketing. The New Zealand Dairy Board, which is owned by the producers, enjoys statutory powers to acquire and market all dairy products intended for export.

245. The manufacturing dairy industry has operated a self-balancing stabilisation system for several decades. Its key elements are the establishment of basic values for milk fat and non-fat solids and the operation of a stabilisation account. Basic values, set by the Dairy Products Prices Authority, are used to determine the purchase prices for products acquired for export. Any trading surplus is distributed in the form of end of season payments and any deficit financed by commercial borrowing.

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60 These restraints are related to the 1979 US Meat Law, under which import restrictions may be applied when imports reach a certain level. GATT (1990), *Trade Policy Review - United States 1989*, p. 203-4.
(b) Overall support

246. A number of market-oriented policy changes have been introduced since the mid-1980s. On 1 June 1986, the Dairy Industry Reserve Account was transferred from the Reserve Bank to the private sector, thus terminating the Board's access to Reserve Bank credit. The Board is now required to fund all its capital requirements for trading and stabilization operations from the open market. An industry-imposed moratorium on new milk supply from farms not having supplied for two years previously came into force on 1 October 1985 and was extended into the 1986-87 season. In the second year a voluntary scheme to curb production was likewise introduced. The Board's powers to regulate aspects of domestic marketing of butter and cheese were terminated in July 1987. In the 1987-88 season, a "butter realization differential" was introduced by which payments for export butter and butter oil beyond a base production level would be made on the basis of marginal rather than average market realizations.

247. Liquid or "town" milk was subsidized to the consumer until 1 March 1985. As a consequence of the removal of subsidies, the consumer price was increased by one-sixth, from 30 cents to 35 cents per 600 ml bottle. On 1 April 1988 the town milk sector was partially deregulated under the new Milk Act which will expire on 31 March 1993. The Milk Board was replaced with the Milk Licensing Authority. Producer prices of town milk are now determined by private contracts between farmers and liquid milk processing stations. Consumer prices are set by processors. Quotas, which had previously governed suppliers' production, were removed and a fixed price differential introduced to protect the home delivery service.

248. Public assistance to the dairy industry has declined in recent years as demonstrated by the decline in the net PSE from 18 to 2 per cent between 1986 and 1989. The Supplementary Minimum Price scheme, terminated in 1984, also applied to the dairy industry but only one payment was made in 1978-79 of $NZ 17.4 million. Producer subsidy equivalents on milk have

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64 GATT document DPC/INV/4/Add. 6, 28 February 1989.
66 OECD (1990), op. cit. under 55, table 7.
fallen sharply from a peak of 67 per cent in 1983 to an average of 15 per cent in 1985-87 and an estimated 1.7 per cent in 1990.

249. New Zealand is a signatory to the International Dairy Arrangement, which, like the Arrangement on Bovine Meat, resulted from the Tokyo Round negotiations. It has been in operation since 1 January 1980 and has been extended until the end of 1991.

250. The Arrangement contains three Protocols under which minimum export prices have been established for skimmed milk powder, whole milk powder, buttermilk powder, anhydrous milk fat, butter and certain cheeses. Minimum export prices (floor prices which all participants agree to observe) are fixed for pilot products defined in the Arrangement taking account of the current market situation, dairy prices in producing participants, the need to ensure equitable prices to consumers, and the desirability of maintaining a minimum return to the most efficient producers in order to ensure stability of supply over the longer term (Table V.5). New minimum prices for all pilot products became effective on 21 September 1988.

251. Dairy trade between Australia and New Zealand under ANZCERTA is governed by a Memorandum of Understanding which also provides for regular joint industry consultations over matters of general industry and trade interest. Australia currently limits the volume of cheddar cheese imports from New Zealand. From 1 July 1990, trans-Tasman dairy trade will be free and both countries will work towards the development of a single and integrated market for dairy products. In particular, the New Zealand Dairy Board will be expected to act, in relation to sales into Australia, in the same way as it does when selling in the New Zealand domestic market.

252. Special provisions have been applied by the European Communities since the accession of the United Kingdom, for New Zealand butter export to Britain. Under these provisions, quotas have been established under annual agreements between the EC and New Zealand. The levels for 1987 and 1988 were 76,000 and 74,000 tonnes, respectively. In September 1989, the Community Council reached agreement on the arrangements for imports of New Zealand butter into the Community between 1989 and 1992. For 1989 the volume was fixed at 64,500 tonnes. In subsequent years the tonnage is to be steadily reduced (61,340 in 1990; 58,170 in 1991; and 55,000 tonnes in

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1992). In compensation, the new agreement provides for a reduction in the special import levy from 25 per cent ad valorem to 15 per cent.

(iii) Cereals (Table V.6)

253. The Wheat Board Act 1965 established the New Zealand Wheat Board as the statutory marketing and price-administering body responsible for the acquisition, import and marketing of wheat and flour. An official review of the wheat and flour industry was initiated in 1983. As a result, the Government decided to remove quota, licensing and price controls by February 1987. The Wheat Board was abolished on 1 May 1987 and flour was made subject to import licence tendering in 1987 as a transitional measure. Import licensing was abolished as from 1 January 1990.

254. M.f.n. duties on grains and grain products rise sharply by stage of processing. Most grains are duty free (8.5 per cent on barley and oats). Wheat flour bears a duty of 18 per cent, phasing to 13.5 per cent by 1992. Other flours are subject to 15 per cent m.f.n rates, reducing to 12.5 by 1992. Australian flour and other cereal products are duty free under ANZCERTA. This is reflected in the import figures which show that virtually all imports of cereal-based products are from Australia. Manufactured cereal-based products bear, in 1990, duties ranging up to 20 per cent (to be reduced to 16 per cent by 1992).

255. The gross percentage PSE on New Zealand wheat rose from 11 per cent in 1985 to 25 per cent in 1987 (a subsidy of $NZ 25 per tonne of wheat harvested and sold was paid in the 1986-87 season). Since then, it has fallen to 7 per cent in 1989 and is estimated to be 2 per cent in 1990. The price to wheat producers is now linked to the price of Australian Standard White which is in turn determined by world market conditions. A countervailing investigation was initiated and provisional measures were applied to wheat from Australia on 20 March 1987. However, the industry withdrew the complaint as a result of the New Zealand Government agreeing to pay a subsidy to the industry for one season.

256. On the conclusion of the Starch Industry Development Plan, tariffs were reduced from 25 to 22 per cent on 1 January 1990 on non-wheat starches. Duties are to be further reduced to 16 per cent by mid-1992.

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71 OECD (1990), op. cit., under 55, table 1.
(iv) Wool (Table V.7)

257. Wool is another leading New Zealand export ($NZ 1.7 billion in 1989). New Zealand supplies three-quarters of the world's internationally traded coarse wool, and 22 per cent of all wool, second to Australia. In addition to raw wool, main wool products exported are floor coverings and yarns.

258. The grower-controlled New Zealand Wool Board, established in 1978, maintains a marketing system and operates a minimum-price funding scheme. It values all wool offered at auction and intervenes in the market according to its commercial judgement. The Board does not have a monopoly on imports or exports, however it grants licences to export wool. From the company wishing to export wool the evidence is required that it is financially secure. Each year the Board prepares a table of nearly 2,000 minimum prices. Payments are funded by a levy, introduced in 1976, currently standing at 0.5 per cent of gross proceeds form all shorn wool sold for the first time.

259. Under the Individual Grower Income Levy Retention Scheme, the Grower Retention levy is introduced when the average price of wool at auction exceeds a trigger price. The rate of the levy is equal to 50 per cent of the price by which the average price at auction exceeds the trigger price. (Supplementary minimum prices, for wool were terminated in 1984.)

260. Tariffs rise rapidly by stage of processing. Wool is duty free. Duties on wool yarns averaged 19 per cent (simple average basis) in 1988 and in 1990 were generally 20 per cent. On wool fabrics, the simple average tariff was 27 per cent in 1988, with applied duties in 1990 ranging up to 30 per cent. From 1 July 1991, tariffs on both wool yarns and wool fabrics will begin reducing under the general tariff reduction programme, reaching 10 per cent by July 1996. Clothing bears tariffs of up to 40 per cent or specific duties (1990). By 1992, clothing tariffs will have a benchmark rate or 40 per cent and all alternative specific rates will have been eliminated. Tariffs on clothing will then reduce in four equal steps until they reach 25 per cent in July 1996.

(v) Fruit (Table V.8)

261. The imports of most fruits (such as citrus fruit, grapes, melons, apples, pears, raspberries) in unprocessed form is duty free. Canned or other processed fruits, however, bear substantial m.f.n. tariffs (simple average rate of 18 per cent in 1988: duty range of up to 20.5 per cent in 1990).

262. Between November 1982 and July 1989 canned fruit was covered by an industry development plan. The plan terminated on 1 July 1989; canned fruit was then exempted from import licensing control.
(a) Apples

263. The New Zealand Apple and Pear Marketing Board is a statutory marketing board incorporated under the Apple and Pear Marketing Act 1948. The Board, a growers' cooperative, is the sole exporter and importer of apples and pears and is required to purchase all apples and pears submitted to it which conform to a minimum grade standard. As from 1 July 1990, the Board's monopoly import right will cease in respect of imports from Australia, in conformity with the free trade commitments under ANZCERTA.

264. Currently a Government-appointed Price Fixing Authority determines the average annual price that the Board will pay growers for their fruit. If market returns fall below the average price, the grower still receives that price. The deficit is funded from a Stabilisation Account. This system insulates growers from short-term fluctuations in the market, but in the long run, the average price is adjusted so that returns to growers reflect the market value of their crop.

(b) Kiwifruit

265. The New Zealand Kiwifruit Authority was set up in 1977 by subsidiary legislation under the Primary Products Marketing Act 1953. The Authority had the power to grant, refuse, renew or revoke export licences and, in order 72 operate, levies all producers and licensed exporters of fresh fruit.

266. New regulations for the kiwifruit industry, issued in September 1988, changed the governing body from a licensing authority to a marketing board. This brought kiwifruit export under direct control of the board removing it from the hands of a limited number of licensed private exporters. The New Zealand Kiwifruit Marketing Board (NZKMB) is grower-controlled and has full control and responsibility for all aspects of New Zealand kiwifruit procurement and exports to all countries except Australia. Under the new legislation, before 1 May of each year the Board is required to consult with the Fruitgrowers Federation on payments and advances for the season. In light of these consultations payments for the season are established. Marketing services are shared with the New Zealand Apple and Pear Marketing Board in the United Kingdom, Ireland and the United States. 73

72 GATT document AG/FOR/REV/NZL/1, 14 August 1987.

(c) Raspberries

267. The Raspberry Marketing Council was established by Statute in 1979. The principal rôle of the Council is to regulate and control the marketing of all fresh and frozen raspberries for the local and export markets. The Council has the power to purchase, sell and export raspberries, to fix quotas for supply to manufacturers and resellers and to transport, store and package raspberries. Funding comes from a compulsory levy.

(vi) Other foodstuffs (Table V.13)

(a) Sugar (Table V.9)

268. A major review of the New Zealand sugar importing policy was completed in 1985. As a result, controls on the importation and pricing of sugar were removed effective from 31 August 1986. New Zealand withdrew from the International Sugar Agreement on 31 December 1987. During 1988 and 1989, New Zealand imposed anti-dumping duties on refined sugar from the Federal Republic of Germany, Malaysia, Thailand, Belgium, the Netherlands and Denmark.

269. Raw and refined sugar enter duty free. Lactose bears an m.f.n. tariff of 12 per cent (1990), being reduced to 10.5 per cent in 1992. Sugar-based preparations and confectionery bear duties of 15 and 17.5 per cent, respectively.

(b) Eggs (Table V.10)

270. Until the mid-1980s, the egg industry was heavily regulated through production, marketing and price control. Partial deregulation occurred on 1 April 1986 when controls over marketing and pricing of eggs were abolished while some production controls remained. In July 1988, Cabinet agreed to a full deregulation of the egg industry and legislation was passed abolishing the New Zealand Poultry Board effective April 1989. Imports of eggs are duty-free.

271. According to Government sources, deregulation has reduced market distortions and producer prices have declined but consumer prices have as yet not fallen to any significant degree. Assistance continues to be higher than for other agricultural products. The percentage PSE for eggs

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74 GATT document AG/FOR/REV/NZL/1, 14 August 1987.
76 MAFCorp., op. cit., p. 70.
in 1989 was 50 per cent (for 1990, estimated at 47 per cent) and the
Consumer Subsidy Equivalent (CSE) 45 per cent.  

(vii) Fisheries (Table V.11)

272. In New Zealand each individual or company operating commercially in fishing must have a permit and each fishing vessel must be registered. In 1986, to counter the over-fishing of a number of prime inshore species and to permit their recovery, the Government introduced the notion of "total allowable catches" and the allocation of individual transferable quotas (ITQ). ITQs for each fish stock are leased in perpetuity from the Crown on payment of an annual resource rental. ITQs may be traded within New Zealand. An annual total allowable catch is established each fishing year which is apportioned to ITQs held by the domestic industry and annual quota held by foreign licensed nations.

273. In April to June 1987, bilateral talks were held with Japan, the Republic of Korea and the Soviet Union to discuss 1987-88 foreign access arrangements. As a result it was decided that quota allocations to each country would be reduced in total by 10 per cent for the 1987-88 fishing year to allow scope for the developing domestic fishing industry.

274. Public financial assistance for fisheries has been provided by the Regional Development Investigation Grant Scheme which pays up to 50 per cent of the costs to investigate project feasibility up to maximum of $NZ 50,000 per project. Furthermore, under the Aquacultural Development Expenditure Scheme costs of development are partially tax-deductible until 1992.

275. Certain fish imports are prohibited; imports of cooled or frozen shrimps and prawns and canned fish require a certificate guaranteeing quality standards. In practice, Customs holds the shipment until the Medical Officer of Health is satisfied by a certificate or by the result of a sample testing. Export of fish for human consumption is, in general,

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77 OECD, op. cit. under 55, Tables 13 and 14.

78 In 1987, 2,453 domestic and 278 foreign fishing vessels were registered.


81 Ibid., p. 141.
prohibited unless it is certified by a veterinary surgeon and from a licensed fish packing house.

276. Imports of fresh fish are duty-free. The average of tariffs on prepared or preserved fish was 7.1 per cent in 1988, with m.f.n. rates ranging up to 12 per cent in 1990 for canned fish and 17.5 per cent for fish pastes and other preparations. The general tariff reduction programme applies, bringing maximum rates down to 14.5 per cent by July 1992.

(viii) Beverages and tobacco (Table V.12)

277. The category beverages and spirits covers fruit juices, wine, beer, spirits and mineral waters. Excise duties (or tariff equivalents) are applied to beer, wine, spirits and other alcoholic drinks whether imported or locally produced. Most excise duties are levied on a specific basis. Spirits (brandy, whisky, etc.) are subject to an excise of $NZ 30 per litre of alcohol, while wine and beer attract excise at a rate set at $NZ 15 per litre of alcohol in July 1989 and subject to six-monthly index adjustments.

278. Import duties on alcoholic beverages are generally levied on a mixed (specific plus ad valorem) basis, with a specific element containing a part equivalent to the excise duty. Minimal duties are levied on beverages imported in bulk for further processing in bond.

279. Duties on juices other than pineapple juice (which is taxed at 5 per cent) rise from 15 to 20 per cent (in 1990), depending on whether the juice is imported in bulk, with added sugar or not, thus giving protection to local production and/or packaging. Imports from Australia, least-developed countries and the Pacific islands are duty free: partial preferences are given to Canada and developing countries, with the Canadian rate lower than that for developing countries.

280. Excise duties on tobacco were set at $NZ 100 per kg. as of July 1989, to be adjusted six monthly in accordance with the consumer price index. As of April 1990, the rates were $NZ 105.25 per kg. for all except smaller size cigarettes where the rate was $NZ 115.78 per 1,000 pieces. Imported cigarettes are subject to a 20 per cent duty over and above the excise element.

281. The Tobacco Industry Development Plan came into effect in October 1986. Licensing was removed on 1 October 1989. All flavour leaf (defined as exceeding $11,50 f.o.b. per kg.) is free of duty under a tariff concession, while filler leaf attracts a duty of 12 per cent. Specific tariffs will be converted to ad valorem rates and the General Tariff Programme will apply from 1 July 1990. Imports from Australia are to be duty free from July 1990, as have been imports from least-developed countries and Pacific islands.
(2) Mineral Products

282. New Zealand's main mineral-based exports are coal, iron sands, aluminium and gold (the raw material for aluminium melting is imported). Mining accounts for about 1 per cent of New Zealand's GDP, employing 3,700 persons. There are no specific trade policies related to mining. No specific assistance in the form of subsidies, import licensing or quotas is extended to the mining industry, although a mining licence must generally be obtained before mining activity can commence. However, income tax rules allow a mining company to write off all development costs before being subject to tax. The Government has no specific policy on the future relationship between mining and other sectors, which, it is stated, will be determined primarily by market forces.

(i) Ores and metals (Table V.14)

283. In 1987, the simple average tariff on ores and metals was 14.9 per cent. However, this disguises substantial variations in rates. Ores are generally duty-free, as are primary products of iron and steel. Finished steel products and some primary products are subject to the General Tariff Programme, which will bring tariffs down to a maximum of 12.5 per cent by July 1992. Certain steel products subject to tariffs of 10 or 15 per cent, will retain that level of assistance until the conclusion of the current tariff adjustment programme on 1 July 1992. (For the Heavy Engineering Research Levy see para. IV.37.) Steel has been free from import licence controls since January 1990.

284. Copper products are in a similar position. Most unrefined products, as well as basic refined products and alloys, enter duty free or at 5 per cent. Many other products are subject to the general tariff programme, which will bring duties down from between 22 and 25.5 per cent in 1988 to 14.5-16 per cent in 1992. However, some peaks on specialized articles will remain: for example, the duty on earth straps for motor vehicle assembly remains at 35 per cent and will be reviewed in the context of motor vehicle protection in the 1993-96 programme.

285. Aluminium production has become significant in New Zealand, using hydro-electricity as a basic input. Bauxite ore enters duty free, as do aluminium ingots. Most other products are subject to tariffs in the range 20-24.5 per cent in 1989. Under the general tariff reduction programme, these rates should fall to 14.5-17 per cent by 1992. Imports from Australia, Pacific islands and least-developed countries enter duty-free. No import licensing controls exist.

(ii) Ceramics

286. Under the Ceramics Industry Plan, ceramic sanitaryware and some electrical ceramics are subject to import licence control. Licences are tendered six-monthly around April and October. Sanitaryware will be
removed from control from July 1990, and electrical ceramics from July 1991. No other ceramic products are subject to import licence control.

287. Tariffs on ceramic products were very high, ranging up to 50 per cent on some classes of table and kitchenware. Currently, ceramic products are subject to reductions under the General Tariff Programme. In 1990, the highest rate charged is 27.5 per cent, to be reduced to 18.5 per cent by July 1992. For tableware and cooking utensils only, there will be a double step in July 1992, reducing the normal tariff to 18.5 per cent.

(iii) Energy products (Table V.15)

288. Coal is New Zealand's most abundant fossil fuel resource. There are also significant oil and natural gas reserves. Like most sectors of the economy, until the middle of the 1980s, energy production and supply was heavily regulated. The 1984 Budget included a decision to increase coal and electricity prices to levels reflecting the full costs of supply.

289. From the late 1930s until May 1988, the selling of petrol in New Zealand was an industry licensed by Government. There was also an understanding between the Government and oil companies that the latter would maximize their use of the Marsden Point refinery in obtaining their fuel supplies and would import in a refined state only the fuels which the refinery could not supply.

290. Deregulation involved the removal of all price controls, all licensing controls and the exposure of the Marsden Point refinery to competition from imports. In 1987, the minimum price controls on petrol (February) and the maximum price control on diesel and fuel oil (June) were lifted. Finally, in May 1988, the maximum price control on petrol was removed and the requirement for a Government licence to sell petrol was lifted.

291. In 1987, the former Electricity Division of the Ministry of Energy and the State Coal Mines became State-owned enterprises: the Electricity Corporation of New Zealand Limited (Electricorp) and the Coal Corporation of New Zealand Limited (Coalcorp). Reform of electricity distribution continues. However, control will reportedly remain in State hands, with current plans to privatize at most 30 or 40 per cent of the industry.

292. At present price control still applies to natural gas but the controls on this industry are currently under review. The taxation measure applying

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83 Nachrichten für Aussenhandel, 14 March 1990.
to the petroleum industry is also being reviewed. These apply equally to
the locally produced fuels and are primarily revenue instruments.

293. Nearly three-quarters of energy products enter New Zealand duty-free.
Specific duty rates on a number of petroleum products, applied equally to
goods produced in New Zealand, have been reduced or eliminated. Excise
duties still apply to a few fuels, mainly certain motor spirits
(Table IV.5).

(3) Manufacturing

294. Manufacturing amounts to some 20 per cent of GDP (Table I.1). Leading
industries are food, beverages and tobacco, and fabricated metal products,
which contributed, respectively, 29 and 23 per cent of manufacturing
output. Next in order are paper products, chemicals and textiles, apparel
and leather, together representing another 30 per cent of manufacturing
activity.

295. The two leading manufacturing sectors employ together nearly
50 per cent of the total manufacturing labour force of 234,000 (1988-89).
Meat and dairy processing, machinery, transport equipment and finished
metal products are the most important employers.

296. The general process of removal of import controls on industrial
products and their replacement with tariffs began in the late 1970s. In
1978, a Tariff Review Committee, established to review the tariff and the
situation and protective structure of individual industries, identified
17 industries in-depth study by the Industries Development Commission. The
result of these studies was the formulation of Industry Development Plans
in 1981 for a number of manufacturing industries facing competitiveness
problems of structural adjustment. (For the industries covered by
development plans see Chapter IV, paragraphs 198-202.)

297. Termination dates for almost all Industry Development Plans were
announced at the times of their implementation, with the aim of providing a
clean predictable framework for the phasing out of assistance. Earlier
plans were considered to have terminated when the goods reached the point
of exemption from import licensing. More recently, plans continued until


85 The number of employees (full and part-time) in the main
manufacturing sectors was the following (1988/89): food, beverages and
tobacco: 64,900; textiles, apparel and leather: 29,100; metal products:
39,000; meat and dairy processing: 44,700 (1987); machinery: 19,000
the completion of any transitional tariff phasing, where applicable, and
the application of the global tariff programme. Generally, the tariff
reduction programme is applied within one year of the termination of each
plan.

298. Table IV.11 shows the dates on which products under industry
development plans were, or are to be, removed from import licensing
controls. As at 1 May 1990, sanitary and electrical ceramics (mentioned
above), footwear, plastic tapes, textiles and clothing, and wine remain
under industry plans. In July 1990, sanitaryware, handkerchiefs and
children's footwear will be removed from import licensing, and the tariff
quota for low cost wine will be eliminated. Plastic tapes will be
liberalized on 1 January 1991. Apparel will be liberalized on 1 July 1992.
Licensing on adults' footwear will be removed as from 1 July 1991.

299. Both tariff levels and overall assistance to manufacturing remain
higher than agricultural assistance. The nominal and effective rates of
assistance to manufacturing were reduced from 20 and 39 per cent in 1981-82
to an average of 14 and 26 per cent, respectively, in 1987-88 reflecting
the abolition of import quotas for industries not covered by industry plans
as well as the gradual reduction of tariffs.

300. Table V.16 shows effective rates of assistance for equivalent sectors
for the year 1987-1988. Clothing, beverages and tobacco, furniture and
footwear receive the highest levels of assistance. Energy products,
scientific equipment, chemicals and metals receive less assistance. As
with agricultural products, tariffs are higher on more processed products
which shows that substantial tariff escalation exists in a number of
product areas. In 1988, the simple tariff average on finished manufactures
was 21.8 per cent, on semi-finished manufactures 8.6 per cent, whilst on
raw materials (excluding petroleum) it was 2.2 per cent.

(1) Raw hides and skins, leather and footwear (Table V.17)

301. The Footwear Industry Development Plan, announced in 1983, was first
reviewed in 1986 and then again in 1990. As a result of the 1986 review,
existing import access levels were increased through licence tendering,
with the allocation for adult's footwear increasing by 3 per cent a year
and children's by 5 per cent a year. Children's footwear (size 9.5 or
less), rubber gumboots, ski boots and ballet shoes are free of import

study, based on a general equilibrium account of measuring the incidence of
protection, concludes that, despite the changes in nominal assistance, the
implicit tax on the export sector has remained constant. See A. Wong and
R. Brools (1989), "New Zealand's True Rate of Protection", Reserve Bank
licence controls. The basis for footwear licensing was also changed from a volume (pairs of shoes) to a value system. As to footwear componentry, all leather and soling material are free of import licence controls. Parts of footwear will become exempt from import licence control on 1 October 1990.

302. Licence controls will be removed for children's sizes exceeding 9.5 up to adults' size 4 from July 1990. The 1990 Review decisions provide for an end date for import licensing on adult's footwear of 1 July 1991.

303. Most adult finished footwear and children's footwear sizes 9.5 to adult's 4 will, as at July 1990, bear tariffs of 37 per cent (reduced from 43 per cent in 1988). Children's footwear below size 9.5 is duty free. However, for adult's footwear, the 1990 Review decisions provide for an increase in the tariff to 55 per cent on 1 July 1991 (the end-date for import licensing), reducing to 45 per cent on July 1992, and then in four equal steps to 25 per cent by July 1996. Footwear parts will bear tariffs of 25 per cent, reduced from 35 per cent in 1988. Tariff levels on inputs and parts of footwear will be reduced to between 20 and 28 per cent by July 1990, after which the General Tariff Programme will apply, reducing tariffs to between 16.5 and 21 per cent by July 1992 and to 10 per cent by July 1996. Currently, raw hides and skins are imported duty free, while finished leathers attract tariffs ranging between 20 and 24 per cent. These will reduce to 10 per cent by July 1996.

304. Trade in footwear between Australia and New Zealand was fully liberalized as part of the free trade arrangements under ANZCERTA on 1 March 1990.

(ii) Chemicals, rubber and plastics (Table V.18)

305. This category accounts for about 13 per cent of New Zealand's imports. The 1990 tariff range in this category is wide, from 0 to 40 per cent. Tariffs applied to basic chemicals such as chemical elements, compounds and organic chemicals range between 0 and 1.6 per cent, while products representing a higher level of processing (like paints, varnishes, plastic articles, essential oils cosmetics, etc.) are subject to tariffs between zero and 28.5 per cent.

306. Both plastics and rubber have had high levels of effective assistance (Table V.6). These are largely import-competing sectors. However, the export to sales ratio of the plastics industry is increasing.

307. The Plastics Industry Development Plan was implemented in 1982. By 1988, the final year of the plan, the majority of goods became exempt from licensing. The only remaining licensed plastic item, tapes from other sources than Australia, will be removed from licensing on 1 January 1991 (tapes from Australia became licence free on 1 January 1990). A tariff review, undertaken in 1986, resulted in the decision to lower all tariffs above 20 per cent down to that level by 1990. After that date, all rates will be subject to the general reduction programme.
308. Under the General Rubber Goods Development Plan, import licensing controls on rubber goods, excluding tyres, ended on 31 December 1989. Rubber goods were made subject to the General Tariff Programme of reductions from January 1990. The simple average tariff on raw rubber was 6.8 per cent in 1988, on semi-manufactures 32.1 per cent and on manufactured articles 29.3 per cent. Currently, tariffs range from 0 to 36 per cent.

309. The Tyre Industry Development Plan was introduced in April 1983. The plan applies only to tyres sold on the replacement market. (Tyres sold as original equipment are covered by the Motor Vehicle Industry Plan). The plan was reviewed in November 1986, April 1987 and September 1988.

310. In the April 1987 review, decisions were taken to confirm the termination of import licensing controls on all goods covered by the plan on 31 March 1989, and to reduce normal tariffs on new tyres from 40 per cent to 25 per cent over three years to 1 July 1989. Developing country rates were introduced and phased from 34 per cent in 1987 to 20 per cent on 1 July 1988. Tyres were removed from import licensing control on 1 April 1989.

311. Under the September 1988 review, duty was removed on larger size tyres for trucks and tractors. Tariffs were reduced to 26 per cent on 1 July 1989 and will fall to 20 per cent on 1 July 1991.

(iii) Wood, wood products and furniture (Table V.19)

312. Forestry is a major natural resource-based industry; logging contributes approximately 2 per cent to GDP. Forest products, wood, pulp and paperboard account for approximately 5 per cent of exports.

313. The New Zealand Forestry Corporation was established on 1 April 1987 as a State-owned enterprise to manage the Crown's interests in commercial forestry. There are restrictions on the exports of native timber for conservation purposes, as well as quality control measures. Regulations requiring timber to be preservative treated have helped to expand markets for timber products. The Ministry of Forestry inspects and disinfects both exported and imported wood and wood products. In addition to the Timber Preservation Authority specifications, there are a number of interrelated standards concerned with the processing and use of timber.

314. Wood products, including furniture, are not subject to import licensing. Tariffs are subject to substantial escalation. Rough wood is generally duty free: rates on semi-processed and finished products in 1988 ranged from 9 to 25.5 per cent; tariffs on furniture, apart from motor vehicle seats, were between 24.5 and 28.5 per cent. Tariffs are to be reduced according to the general formula by 1992. Most products are subject to the General Tariff Programme and the majority of tariffs will be reduced from 28.5 cent in 1988 to 18 per cent by 1992. For other wood and wood-based products, not including furniture, the 1987 unweighted average
tariff was 10.5 per cent, ranging from duty-free on primary products to over 23 per cent on wood panels. Imports from Australia and the Pacific islands are duty free.

(iv) Pulp, paper and paperboard (Table V.20)
315. The pulp and paper industry is based on New Zealand's raw material sources. These products are not covered by an industry development plan and are not subject to import licensing. The 1990 tariff range in this category is from 0 to 23 per cent, with most types of paper dutiable at 21.5 or 17.5 per cent. Softwood pulp is duty free; hardwood pulp bears a 15 per cent duty. Imports from all preferential sources (Australia, Pacific islands, all other developing countries) are duty free. Newsprint is dutiable at 8 per cent (preferential sources free). In 1988, the simple average of tariff rates applied to paper pulp and paper waste was 5.4 per cent, to printed matter 12.6 per cent. However, the simple average of tariff rates on paper and paperboard was 22.3 per cent, and on other manufactured articles 28.2 per cent, which shows a substantial tariff escalation. The General Tariff Programme applies, reducing the highest rate to 18.5 per cent in 1992.

(v) Textiles and clothing (Table V.21)
316. In 1988-89, employment in textiles, clothing and footwear amounted to approximately 29,000 out of a total 234,000 in all manufacturing industries. New Zealand is one of the few developed countries which has not signed the GATT Multifibre Arrangement. However, with a wide ad valorem tariff range from 0 to 53 per cent (1990) and a number of items subject to import licensing, this sector, as in many other industrialized countries, has been one of the most heavily protected. In 1988, decisions were taken in relation to the import licensing and tariff régimes for both the textile and apparel sectors. These decisions set down end-dates for import licensing for both sectors and put in place a programme of tariff reductions.

(a) Textiles
317. The Textile Industry Plan, implemented on 1 July 1980, was intended to improve the competitiveness and export potential of the textile industry. In July 1985, textiles were put on to import licence tendering. Some types of household textiles and certain items not made in New Zealand were immediately freed from licensing.

318. Access for textiles under the Textiles Licence Tendering Scheme increased by 5 per cent each year from the 1985-86 base level of 10 per cent of domestic production. Cumulative total access for the
1989-90 year was 30 per cent. There were also specific financial incentives to encourage production efficiency in woollen mills. 87

319. From 1 July 1988, all ad valorem rates over 30 per cent on textiles began reducing towards that benchmark over a period of three years. 88 For yarns and fabrics, alternative specific rates were removed from July 1989, with the exception of twine. The principles and formula for the global tariff programme will be applied to textiles from 1 July 1991, at which point industry plan status will formally end for textiles and these products will become exempt from import licensing.

(b) Clothing

320. Following a review of tariffs and access in the apparel industry, it was announced in August 1988 that apparel tender licence allocations were to be increased by 3 per cent each year, instead of the previous 2 per cent. Goods would become subject to licence on demand when the average of tender premiums over two consecutive tender rounds fell to 5 per cent or less or by July 1992 whichever is earlier. The date of 1 July 1992 was set for the removal of licensing controls.

321. A four stage tariff reduction programme for apparel was introduced in July 1989. Under this, the standard tariff rate to be applied in 1992 will be 40 per cent, with all specific duties removed. Currently, ad valorem rates can be as high as 53 per cent for some categories of children's clothing.

322. Under the recently announced 1993-1996 Tariff Reduction Programme, tariffs on apparel are to be reduced in four equal steps, from the 40 per cent 1992 level. Duties will be reduced starting July 1993 to a maximum rate of 25 per cent by 1 July 1996.


88 All imports of cotton and silk fibres, yarn, and fabrics are free of duty. Man-made fibre yarns and fabrics are mostly free, but textured yarns bear a tariff of 10 per cent, while polypropylene or polyethylene fabrics face a 25 per cent rate. Polyamide and polyester yarns bear tariffs of 20 per cent, while most synthetic fabrics enter duty free. Woollen yarns are taxed at 20 per cent and fabrics at 30 per cent. Duties on knitted fabrics range up to 31.5 per cent (1990).

89 Minister of Commerce, Press Statement, March 1990.

90 Import Licensing Schedule 1990.
323. Free trade between New Zealand and Australia in clothing began on 1 July 1989. However, developing country preferential rates were removed on 1 September 1989.

(c) Carpets

324. M.f.n. tariffs on carpets vary between 35 and 40 per cent (1990). Tariff rates on carpet (other than specified types used in the motor vehicle industry) will be reduced to 10 per cent by 1 July 1996 as a result of the 1990 review of the Carpet Industry Development Plan.

325. In 1983, the Industries Development Commission proposed measures for the controlled introduction into the New Zealand market of both imported and locally-made synthetic carpets. In 1986, a long-standing policy of encouraging the manufacture of wool-rich carpet was abandoned, following the breakdown of a carpet industry agreement to voluntarily restrain production of certain types of synthetic carpet for the domestic market.

326. Wool rich carpet in sizes not exceeding four square meters (pile contains 80 per cent or more by weight of wool) were moved to licence exemption 1 July 1988 while non-wool rich carpet (less than 4 square metres) became exempt on 6 July 1989. The final carpet category (non-wool rich, exceeding 4 square metres) became exempt as of 1 March 1990, and there is now no carpet subject to import licensing.

(vi) Mineral products, fertilizers, precious stones (Table V.22)

327. These products together account for about 4 per cent of New Zealand's imports.

328. In 1988, the simple average tariff on "mineral products and fertilizers" was 11.5 and the weighted average 15.2 per cent. Most minerals in raw form are duty free. Building stone in rough form is subject to a duty of 9 per cent (1990). Fertilizers are duty free except for retail packages of fertilizer tablets.

329. In glass and glassware, the highest rates of duty are on safety glass for use in motor vehicles, where tariffs rise to 35 per cent. Most domestic and industrial glassware is free of duty. Glass products (including glass fibres) for use in the building industry are dutiable at rates of up to 23 per cent.

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91 Official sources.
330. Among precious stones, jade and similar stones are subject to a duty of 20.5 per cent (1990), reflecting protection of local greenstone. Articles of jewellery other than those incorporating greenstone are duty free, while the tariff on those containing greenstone is 24 per cent. Imitation jewellery also bears a rate of 24 per cent.

331. The general tariff reduction programme applies, reducing maximum rates to 19 per cent by 1992. Imports from Australia, Pacific islands and least-developed countries enter duty free.

(vii) Electrical and non-electrical machinery (Table V.23)

332. Machinery contributes approximately 10 per cent to manufacturing value added and represents over one quarter of manufactured imports. Electrical machinery ranks amongst the highly assisted industries. Electronics were placed under an industry development plan in 1984. A number of electronic products, including switchboards, telephones, and record and tape players, were exempted from import licence controls in April 1987. The remaining products covered by the plan were freed in October 1987. Tariff rates on a number of electronic products were phased down in annual steps to reach 20 per cent by 1990 while others were reduced to 25 per cent over the same period. The global tariff phasing programme will apply from 1991. Two other forms of assistance directed at this industry, the Prototype Development Fund and the Electronics Industry Research and Development Grants Scheme, have both been terminated.

333. Non-electric machinery products are free from licensing. However, the tariff protection is relatively high. The tariff ranges from 0 to 30 per cent, with a simple tariff average of 19.9 per cent in 1988.

(viii) Transport equipment (Table V.24)

(a) Motor vehicles

334. The Motor Vehicle Industry Development Plan was introduced in 1985 with the commencement of a four-year progress during which import licences equivalent to a gradually increasing percentage of the value of domestic production were made available for tender. In December 1987, the Government announced the removal of import licensing controls from all automotive products from January 1989 and a programme for reducing tariffs on both vehicles and components. The removal of import licensing has caused a surge in imports of new and used cars.
335. In 1988, the simple average tariff level for motor vehicles was 30.9 per cent. On 1 January 1990 tariffs on built up vehicles were phased down to 35 per cent, for passenger and light commercial vehicles, free for heavy commercial vehicles, and 20 per cent for other commercial vehicles. Completely-knocked-down (ckd) kits for the assembly industry enter duty-free.

336. Under a recently announced Government programme, tariff rates beyond 1992 for motor vehicles and automotive components will be determined following a review in 1992. This review will take into account, in particular, the review by the Australian Government in 1990 of its motor vehicle industry plan. In the interim, the tariff on passenger vehicles will move from 35 per cent to 32.5 per cent on 1 July 1993, and 30 per cent on 1 July 1994. Similar reductions will apply to commercial vehicles, nominated components and automotive parts and accessories. Additional import duties (currently 7.5 per cent), equivalent to an excise duty on locally-produced vehicles, are payable on most assembled motor vehicles. (For the local content provisions applicable in the motor vehicle industry see paragraph IV.47.)

337. In the framework of ANZCERTA, import tariffs were abolished on automobile parts imported from Australia on 1 January 1989 and on passenger cars on 1 January 1990. New Zealand tends to be an exporter of parts and an importer of passenger cars.

(b) Aircraft

338. New Zealand is not a participant in the GATT Agreement on Trade in Civil Aircraft. M.f.n. tariff on aircraft (for example, helicopters and aeroplanes) is generally 5 per cent.

(c) Shipbuilding

339. The principal decisions arising from the 1988 review of the Shipbuilding Industry Development Plan were as follows:

\[13.01\]

96 Tariff Study Category 13.01.

97 Official sources and GATT document L/6366, 12 August 1988, para. 147.


99 GATT document L/6435, 30 November 1988, para. 76.
- Exemption from import licensing for all new and used vessels as from 1 January 1989.

- Retention of the Commercial Vessel Construction Bounty, but with a phased reduction of bountiable grants to the termination of this scheme on 31 March 1990. From March 1988, subsidy would be claimable for 10 per cent of construction costs and from March 1989, 5 per cent.

- The extension to a larger range of boats of the current tariff concession allowing duty-free entry for used deep-sea fishing vessels.

- The inclusion of vessels covered by the plan under the global tariff reduction programme from 1 January 1989.

All vessels were exempted from import licensing from 1 January 1989. Tariffs are to be cut to 13.5 per cent by 1992.

(ix) Professional, scientific instruments, watches and clocks (Table V.25)

340. Imports of this category account for some 4 per cent of New Zealand's imports of manufactures.

341. The Simple average m.f.n. tariff rate for the overall category in 1988 was 12.3 per cent. This average disguises a wide range. Within the group of photographic and optical products, cameras enter generally duty-free; lenses generally bear a tariff of 13.5 per cent (1990), spectacles and frames, 17.5 per cent. The highest rate among these goods is on optical fibre cables (21.5 per cent).

342. Rates of duty on scientific equipment vary from zero [on goods not produced in New Zealand], to 25 per cent on navigational equipment for aircraft.

343. Watches and clocks are generally duty free, except for spring-driven clocks which bear a tariff of 12 per cent.

344. The general tariff reductions programme applies. Preferential duty free access is extended to imports from Australia, the Pacific islands and least-developed countries. Imports from Canada also receive, or will receive by 1991, duty-free treatment on some items. Tariffs under GSP are generally 5 percentage points lower than the m.f.n. rate.

(x) Other goods (Table V.26)

345. This heterogeneous category covers radios, television sets, musical instruments, toys, works of art, office supplies, arms, and miscellaneous
articles. Overall, these account for some 5 per cent of New Zealand's imports of manufactures.

346. Duties on sound reproducing and recording equipment, which are covered by the Electronics Industry Plan are generally 25 per cent in 1990. From 1991 the general tariff programme will apply. Musical instruments are generally duty free. Arms are generally subject to the tariff reduction programme, which will reduce duties from a maximum of 21.5 per cent in 1990 to 17.5 per cent in 1992. Most toys and games face a tariff of 23 per cent, reducing to 18.5 in 1992. Within the "office supplies" category, special tariff protection will continue until 1 July 1992 for ball-point and felt-tipped pens, through a specific duty of $NZ 8.5 per item (1990), to be reduced to $NZ 6.5 in 1992. Thereafter, ad valorem tariffs, at a rate still to be determined, will apply.
VI. TRADE DISPUTES AND CONSULTATIONS

347. New Zealand settles its trade disputes via diplomatic channels including the GATT. There are no statutory domestic procedures for conducting consultations or negotiations with trading partners in case of disputes. Informal contacts with trading partners on issues potentially giving rise to trade friction are frequent.

(1) GATT Dispute-Settlement Cases

348. Between 1948 and February 1990, there have been four GATT dispute settlement cases in which New Zealand was involved as a party to the dispute.

(i) New Zealand - anti-dumping action

349. The only Panel established in the GATT to investigate an Article XXIII complaint against New Zealand's trade policy was in 1984. The complaint was submitted by Finland concerning anti-dumping proceedings against electrical transformers delivered by a Finnish company to a local electrical board in New Zealand. Finland took the view that these transformers had not been sold at less than normal value and this sale had not caused or threatened to cause material injury to the industry of New Zealand. The Panel Report, adopted on 17-19 July 1985, found the imposition of anti-dumping duties not to be consistent with Article VI.6(a). New Zealand removed the anti-dumping duty in 1985.

350. Under Article XXIII, three complaints have been initiated by New Zealand:

- restrictions on imports of beef by the Republic of Korea (April 1988);
- restrictions on imports of beef by Japan (May 1988); and
- restrictions on imports of apples by the EEC (April 1988).

(ii) Republic of Korea - beef

351. New Zealand (along with the United States and Australia) requested the establishment of a Panel concerning import licensing restrictions maintained on beef by the Republic of Korea. The complainants noted that since late 1984 the non-automatic import licensing system maintained by the Republic of Korea had virtually closed the market to imported beef. Prior to the imposition of the import ban, New Zealand exported 3,900 tonnes of beef to the Republic of Korea, representing 2.5 per cent of New Zealand's total export earnings from beef. New Zealand considered that the

100 GATT document L/5814, 19 June 1985.
restrictions contravened the Republic of Korea's obligations under the General Agreement, inter alia, the prohibition in Article XI against the maintenance of quantitative restrictions on imports made effective through quotas, import licences, or other means.

352. The Panel Report of May 1989, adopted by the Council on 17 November 1989, found Korean restrictions introduced in 1984-85 to be in contravention of Article XI and recommended that "Korea eliminate or otherwise bring into conformity with the provisions of the General Agreement" those import measures. It was also recommended that "Korea hold consultations with New Zealand and other interested contracting parties to work out a timetable for the removal of import restrictions on beef justified since 1967 by Korea for balance-of-payments reasons and report on the result of such consultations within a period of three months following the adoption of the panel report by the Council". In accordance with the recommendations of the Panel, the Republic of Korea and New Zealand held consultations in December 1989 "to work out a timetable for the removal of import restrictions on beef". No solution has so far been found. The second round of consultations took place at the end of February 1990, but the parties concerned could not agree on a timetable. The consultations will be continued.

(iii) Japan - beef

353. In June 1988, New Zealand took recourse to Article XXIII:2 concerning Japanese restrictions on imports of beef. New Zealand complained that the importation of beef into Japan was controlled by a complex system of import quotas and licensing controls. Further, the systems of administration for beef imported into Japan under quota were complex and lacked transparency. The combination of these factors resulted in severe restrictions of New Zealand's exports of beef to Japan. New Zealand considered that these restrictions and their administration had contravened Japan's obligations under, inter alia, Articles I and XI of the General Agreement.

354. In July 1988, after consultations between the two countries held under Article XXIII:1, New Zealand withdrew its complaint, following Japanese market-opening measures that will lead to the total elimination of Japan's beef import quota on 1 April 1991.

(iv) European Communities - apples

355. In June 1988, New Zealand requested the Council to establish a Panel to review seasonal restrictions imposed by the EC on the import of apples. New Zealand considered that as a result of these its trade had been disrupted in a critical period of its export season, and that restrictions

102 GATT document L/6355/Add.1, 7 July 1988.
contravened, *inter alia*, the EC's obligations under Articles II and XI of the General Agreement. The request by New Zealand was placed on the agenda of the June 1988 Council Meeting, but was later taken off at the request of New Zealand.

(v) **Interested party**

356. In addition to the cases in which New Zealand was involved as a party to the dispute, there were a number of cases where New Zealand expressed having a substantial interest in the matter before the Panel.\(^{103}\)

(2) **Other Cases**

357. Article 22 of the Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA) provides for consultation if one or the other member State considers that an obligation under the Agreement has not been, or is not being, fulfilled; a benefit conferred upon it by the Agreement is being denied; is being, or may be, frustrated; or any difficulty has arisen, or may arise. In 1988, the two member States, under para. 3 of Article 22 of the Agreement, undertook a general review of the operation of the Agreement. New Zealand and Australia have so far solved their trade disputes within the ANZCERTA through bilateral consultation.

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\(^{103}\) Cases in the last ten years include: EEC-Import restrictions on apples from the United States (1988); United States-Restrictions on imports of sugar (1988); EEC-Payments and subsidies paid to processors and producers of oilseeds and related animal feed proteins (1988); Japan-Imports of SPF dimension lumber (1987); Japan-Customs duties, taxes and labelling practices on imported wines and alcoholic beverages (1986); Canada-Import distribution and sale of alcoholic drinks by provincial marketing agencies (1985); EEC-Imports of newsprint from Canada (1984); Japan-Measures on imports of leather - complaint by the United States, (1976) and Canada, (1979).
VII. SUMMARY OBSERVATIONS

(1) New Zealand in World Trade

358. New Zealand currently ranks 48th amongst world exporters and 51st amongst importers. In 1989, its share in world merchandise trade was 0.3 per cent, basically unchanged from 1980.

359. In view of its small population (3.3 million people), the potential gains from international trade are particularly large for New Zealand. Currently, merchandise trade corresponds to about 40 per cent of GDP, 10 percentage points above the worldwide average but well below the levels for other countries of comparable stage of development and population size. Favoured by the country's natural endowments, the share of primary commodities in exports is around 70 per cent, making the economy vulnerable to price fluctuations on commodity markets. Major traditional exports are meat, wool and dairy products, in which New Zealand is a leading exporter in the world. However, exports of the forestry, horticulture, fishing and manufacturing sectors have been growing in importance over recent years.

360. Great changes have taken place in the geographical distribution of New Zealand's trade in the last two decades. Traditionally, the United Kingdom was New Zealand's most important trading partner, taking around 80 per cent of its exports and providing nearly 50 per cent of its imports in the 1960s. With the United Kingdom's accession to the European Community in 1973, preferential access to the United Kingdom's market was curtailed. Since, New Zealand has drastically diversified its markets and sources of supply. Trade with Australia, Japan and some developing economies in Asia has been particularly dynamic. Currently, New Zealand's largest export markets are the EC, Japan, Australia and the United States. Under the Closer Economic Relations Agreement (ANZCERTA), Australia has become New Zealand's leading import supplier, followed by the EC, Japan and the United States.

361. Since the mid-1970s, New Zealand has featured among the slowly growing industrial countries. Productivity growth has been relatively poor and the economy has been inflation-prone. Trade in invisibles has been the source of a persistent deficit on current account and heavy overseas indebtedness. This macro-economic performance has prompted efforts to liberalize the economy which, for decades, was highly regulated and shielded against foreign competition. Wide-ranging economic policy reforms have been rapidly phased in since the mid-1980s, including major changes in the foreign trade regime.

(2) Institutional Framework

362. Within the broad framework set by basic trade laws, the Government of New Zealand has sole responsibility for, and substantial discretion in, formulating trade policy. Trade policy issues are discussed and decided in Cabinet Committees and in Cabinet itself. Trade policy is implemented by
the relevant Government departments and a variety of autonomous agencies such as the New Zealand Export-Import Corporation and the Export Guarantee Office.

363. Trade policy consultations by the Government with the private sector are generally conducted through umbrella organizations such as the Federated Farmers, the Manufacturers Federation and the Coalition of Service Industries. Ad hoc bodies set up to consult on trade policy issues generally include private sector representatives. Consumer organizations have not, to date, played a significant part in the consultation process.

364. Apart from restrictions due to the monopoly position and special privileges of some marketing boards, private persons and companies may freely be engaged in foreign trade activities. Trade-related rules and procedures are published.

365. In New Zealand, there are no independent statutory bodies which carry out regular public reviews of trade policies. The Planning Council and some ad hoc bodies carry out specific studies from time to time. The Office of the Ombudsman has the right to investigate complaints about the acts and decisions of central and local Government organisations and statutory boards, including bodies dealing with trade issues.

(3) Trade Policy Features and Trends

366. New Zealand is an original signatory to the GATT and a full participant in the GATT system. In New Zealand, the provisions of the GATT are incorporated within domestic law by the General Agreement on Tariffs and Trade Act 1948 and a number of subsidiary statutes. New Zealand has signed all the Tokyo Round Agreements, except the Government Procurement and Civil Aircraft Codes. It is not a signatory to the Multi-fibre Arrangement.

367. New Zealand accords m.f.n. tariff treatment to all countries except those covered by preferential arrangements (Australia, Canada, Forum Island Countries, Malaysia, United Kingdom and GSP beneficiaries). ANZCERTA is New Zealand's most important preferential trade arrangement; under its provisions, trade between Australia and New Zealand will be duty- and quota-free from 1 July 1990. Pacific Island countries also gain duty- and licence-free preferential treatment on many products under SPARTECA (South Pacific Regional Trade and Economic Cooperation Agreement). Preferences given to some Canadian and British products are based on historical bilateral agreements.

368. New Zealand's GSP scheme, introduced in 1972, currently includes 146 countries and territories. Forty least-developed countries enjoy duty-free entry, except for products which are covered by industry development plans (textiles, footwear, clothing, ceramics and plastic tapes). Other countries and territories covered by the GSP scheme are accorded limited tariff reductions. Provision is made for countries and
products to be "graduated" from GSP treatment. Around 8 per cent of tariff lines, mainly agricultural items, chemicals, footwear, electrical equipment and vehicles, are excluded from GSP preferences.

(i) Recent evolution

369. Although New Zealand has always been heavily dependent on exports of merchandise, from the late 1930s until recently the domestic economy was largely insulated from developments in the world economy by measures such as import licensing, high tariffs, trade monopolies and foreign exchange restrictions. The tax on the export sector implicit in import protection was mitigated by substantial assistance to agricultural exports.

370. Successive New Zealand Governments have been considering liberalization of the economy and the trade policy framework since the late 1960s. However, it is only since the late 1970s that major steps to reduce levels of assistance have been taken. These have been markedly intensified since 1984. The coverage of import licensing has been reduced, tariffs have been cut through a general tariff reduction programme, most export incentive schemes and subsidies have been eliminated, the rôle of the State in trade has been reduced, foreign exchange restrictions have been removed, and financial controls and rules on foreign investments have been relaxed. While in many areas substantial levels of assistance continue to exist, New Zealand's economy has become more open to external competition and the play of comparative advantage.

(ii) Type and incidence of trade policy instruments

371. Until recently, import licensing was the binding constraint on most imports. Since 1984, the number of items subject to licences has been substantially reduced, but it is still applied to about 1,400 out of a total of some 12,000 items. Although its scope has declined, the licensing system remains complex and lacking in transparency.

372. Currently, licensing applies to electrical ceramics, plastic tapes, textiles, clothing and footwear, all of which fall within industry development plans. Since the late 1970s, such plans have given special assistance to industries which are sensitive to competition from imported products. The main forms of protection under such plans have been non-automatic import licensing and above average tariff protection. The scope of import licensing under industry plans has been steadily reduced and has, in many cases, been linked with the general tariff reduction programme on the products concerned. Firm dates have been set for the complete removal of licensing. For many items currently under licensing, tariff protection will remain substantial.

373. As licensing has been reduced, the rôle of tariffs has become increasingly important. At the same time, tariffs themselves have been
changing. Since 1985, goods not produced in New Zealand have generally been given duty-free entry. Under a programme of phased tariff cuts introduced in 1988, many rates are being steadily reduced, and the last tariff quotas (on wine) were eliminated on 1 July 1990.

374. Nevertheless, New Zealand's tariffs are still high compared to other developed countries, with current peaks of 20 per cent and upwards across a broad range of products. Tariff escalation is substantial, and may even have been increased by the measures introduced since 1985. Moreover, the level of tariff bindings is low. Only 56 per cent of industrial tariffs are bound (as against over 90 per cent in most developed countries). Tariff concessions can be extended at Ministerial discretion but can also be refused, or withdrawn, if a New Zealand manufacturer with over one-quarter local content makes a successful request. Thus, despite the positive developments since 1985, New Zealand's tariff rates do not yet appear particularly stable or predictable.

375. Indirect taxes affecting trade include the goods and services tax, product-specific taxes such as excise duties, the Alcoholic Liquor Advisory Council Levy and the Heavy Engineering Research Levy. They are applied equally to domestically-produced and imported goods.

376. Import prohibitions and restrictions affect some 70 products or product categories. Most prohibitions are maintained for reasons of plant and animal quarantine, or human health and safety.

377. A number of Government agencies are responsible for determining technical regulations and standards. Most standards are voluntary. New Zealand is committed to the adoption and promotion of international standards. As part of the 1988 review of the Australia-New Zealand Closer Economic Relations Trade Agreement, the two sides agreed to work towards harmonization of standards.

378. One potentially highly restrictive trade measure is the strict quarantine conditions imposed by New Zealand on imports of plants and animals and their products, as well as packaging materials. New Zealand's general approach to quarantine policies is implemented through bilateral agreements, signed with 150 countries over sanitary and phytosanitary standards for traded goods. Within the scope of such agreements, issuing import permits is at the discretion of the New Zealand authorities.

379. New Zealand's policies on Government purchasing have been liberalized. Provisions favouring domestic production now apply only to goods subject to import licensing. In these cases, a 10 per cent margin of preference for domestic products applies, except for competing Australian products. State-owned enterprises are not obliged to apply the 10 per cent margin, but must obtain a licence in order to import any goods still under licensing control. The New Zealand Government is considering joining the GATT Government Procurement Code.
380. Despite the efforts made by the Government to encourage a competitive business environment, marketing boards still enjoy considerable monopoly powers in domestic and foreign trade in agriculture. Their commercial and regulatory functions have not yet been separated. The Apple and Pear Board has the sole right to import apples and pears (except from Australia); the Apple and Pear Marketing Board, the Dairy Board and the Kiwifruit Board enjoy export monopoly rights; the Meat Board and the Wool Board, while not granted exclusive export rights, have export licensing powers over other traders. The Meat Board administers a grading scheme for meat, and most other boards have rights to control export qualities. The Apple and Pear Board, the Dairy Board and the Wool Board have also certain exclusive marketing rights in the domestic market.

(iii) Temporary measures

381. Over the past ten years, four countervailing duty cases have been initiated in New Zealand. In one case, the countervailing duty order is still applied. In the same period, twenty-one anti-dumping cases were initiated and ten duties imposed. Currently, seven anti-dumping duty orders are still in force.

382. New Zealand has subscribed to the Subsidies Code in 1981 and to the Anti-Dumping Code in 1988. New legislation in New Zealand concerning temporary trade measures has added to their predictability and transparency. New Zealand’s law concerning anti-dumping and countervailing measures (the Dumping and Countervailing Duties Act 1988) is based on GATT provisions and those of the GATT Codes on Anti-Dumping Measures and Subsidies. No specific sunset clause is contained in the Act; however, where no request for a review from an interested party is received, the Minister will review the need for continuation of such duties within two years. Most of the duties currently in place (under previous legislation) have been applied for longer periods.

383. Since the mid-1970s, New Zealand has not applied any trade-restrictive measures under GATT balance-of-payments provisions, even though balance-of-payments restrictions were at the origin of the import licensing still in place. As for product-specific import relief, New Zealand recently introduced new domestic procedures (the New Zealand Temporary Safeguard Authority Act 1987). Measures may be introduced if a causal link between a surge of imports of goods and material injury is established by the authority. Such measures, which may take the form of customs duties, import quotas, production bounties or any other action, may only be applied for 12 months. To date, no actions have been taken under the new Act.

(iv) New initiatives

384. In an Economic Statement on 20 March 1990, the New Zealand Government announced that it intends to continue its current economic policy. The tariff reduction programme has been extended to July 1996. The aim is to
generally reduce the maximum rate to 10 per cent. Special provisions for higher protection and slower tariff cuts are, however, to be made for footwear, carpets, apparel and motor vehicles. At the same time, business and tax law reforms are to be introduced; measures will be taken to increase the efficiency of ports, shipping, airports, building industry and railways; Government assistance to business should be made more effective and better co-ordinated; and further privatization of State-owned enterprises is to be undertaken.

(4) Trade Policies and Foreign Trading Partners

385. New Zealand's trade policies have generally become less distortive and more transparent over the past ten years. However, the country is still a considerable distance from being an open economy. With the recent orientation of trade-related policies, the country is already a more attractive market for many trading partners through improved market access and the prospects of accelerated medium-term growth in a more efficient New Zealand economy.

386. Although New Zealand has undergone a long-term process of export diversification, reducing its traditional dependence on the United Kingdom market and on wool, meat and dairy, the effects of the recent liberalization process on the export mix have yet to be fully experienced. The main impact has so far been on the level and product pattern of imports, with office machinery, consumer electronics and a broad range of consumer goods, excluding items such as textiles, registering high growth rates.

387. Australia and developing economies in Asia, Oceania and Latin America have particularly shared in the growth opportunities provided by New Zealand's market opening. Between 1980 and 1988, non-fuel imports from developing economies more than doubled in value, growing more rapidly than such imports from industrial countries.

388. Australia currently has more privileged and predictable access to the New Zealand market than any other of its trading partners, including developing countries subject to GSP treatment. Although the level of preferences extended to Australia will be declining to the extent that multilateral trade liberalization will lead to general tariff reductions, trading links between the two countries are almost certain to become consolidated with the implementation, in July 1990, of free trans-Tasman trade in goods and certain services, and the economies of Australia and New Zealand more closely integrated. Australia is already New Zealand's major market for exports of manufactured goods, as well as services trade.

389. Much of New Zealand's long-term export diversification has taken place under the spur of barriers to trade against traditional products in traditional markets. Moreover, many of New Zealand's main export items, including pastoral farming, horticulture and fishery products, are still seriously affected by protective border measures in major markets.
New Zealand also suffers from world market distortions caused by farm support policies pursued by its major trading partners, including in particular subsidized exports of surplus production. Reflecting these concerns, New Zealand is an active participant in the Uruguay Round, and a member of the Cairns Group of countries interested particularly in improving conditions for world trade in agricultural products and bringing agricultural trade more directly within the scope of the rules and disciplines of the General Agreement.

390. New Zealand, as a small, heavily trade-dependent economy, has traditionally been a strong supporter of a stable multilateral trading system. Its recent economic reform programme, if consistently and fully continued and implemented, is likely to promote structural adjustment and economic growth in New Zealand. It will strengthen the country's links with the world economy and provide for trade policies and practices which are more firmly based on GATT rules and principles, thereby contributing to the strengthening of the GATT system.