On 2-3 August 1990, the GATT Council will consider reports on the trade policies of New Zealand, prepared by the New Zealand Government and the GATT Secretariat. The reports will form the basis of a comprehensive examination of the trade policies of New Zealand.

The reports cover all aspects of New Zealand's trade policy, including domestic laws and regulations; the institutional framework; bilateral, regional and other preferential agreements; and wider economic questions.

The trade policy review mechanism was launched in December 1989 as one of the early results of the Uruguay Round to enable a regular collective evaluation by the GATT council of the full range of trade policies of individual GATT members.

Attached are summary sections of the reports prepared respectively by the GATT Secretariat and the New Zealand Government. Full reports are available for journalists from the GATT Secretariat on request.

The complete trade policy review of New Zealand, including these two reports together with a record of the Council's discussion and of the Chairman's summing-up, is expected to be published in October 1990, and will be available from the GATT Secretariat, Centre William Rappard, 154 rue de Lausanne, 1211 Geneva 21, Switzerland.

Since December 1989, reviews of the following countries have been completed and are available from the GATT Secretariat: Australia, Morocco and the United States.
(1) New Zealand in World Trade

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.

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.

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.

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**

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.

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.

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.

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**

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.

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.

MORE
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

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.

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 role 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

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.

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.

MORE
As licensing has been reduced, the role 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.

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.

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.

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.

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.

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.

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.
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

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.

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.

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

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**

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.

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.

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.

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.

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.

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.
New Zealand is a small developed economy highly dependent on export returns for its prosperity. Merchandise exports comprise both primary commodities, pastoral, horticultural, fishing and forestry (about 70 per cent of the total value) and manufactures (about 30 per cent). New Zealand's exports go mainly to the developed Northern Hemisphere economies and to Australia. New Zealand is a "price taker" with little control over the returns it receives for the primary commodities it exports. Over the last three decades New Zealand's terms of trade have manifested a declining trend, due in the main to farm support policies in the major economies, their barriers to agricultural imports, stockpiles overhanging world markets, and subsidised exports of agricultural commodities.

For most of the post-war period, New Zealand's economic management was marked by a high degree of government regulation and intervention. Import-competing domestic industries were protected by high tariffs and an extensive system of quantitative controls on imports (import licensing). The divergence of the regulated domestic economy from the changing global environment led to low growth and large fiscal and BOP deficits. Moreover, the many economic inefficiencies created by the system of controls were sapping the competitive strength of New Zealand's highly efficient primary commodity export industries.

Since 1984 the New Zealand Government has moved with determination to establish a "level playing field" for the New Zealand economy by removing the many forms of government assistance and regulation that previously distorted the allocation of resources. The Government also moved to increase competition within the economy. In the area of trade policy it immediately increased access and put in place measures to progressively eliminate the system of import licensing that protected much domestic industry. Subsequently a terminal date of 1 July 1988 was announced for most licensing. Rapid steps were taken to reduce higher tariffs; remove distortionary tariffs such as specific and compound rates; and a new GSP was introduced. The tariff is now the principal industry assistance measure. A programme of tariff reductions from 1988-92 will effectively halve tariff rates. On 20 March 1990, the Government announced a programme from 1993-96 intended to reduce practically all tariffs to 10 per cent (some will be below 10 per cent by 1992 and these will remain at those levels).

Many other reforms are also being implemented to make various sectors more responsive and efficient. The overall aim is to achieve high levels of sustainable internationally competitive business growth. The Government believes that confidence in these positive economic prospects is fully warranted. Nevertheless, the present adjustment process is severe with very high levels of unemployment.
The development in economic relations with New Zealand's closest neighbour, Australia, is particularly positive. New Zealand's most important bilateral trade treaty is the Australia New Zealand Closer Economic Relations Trade Agreement which will establish full duty-free and quota-free trade between the two countries from 1 July 1990. The CER also involves an ongoing process of freeing up trade in services and looking at the scope for harmonization in areas such as commercial law. New Zealand is also well placed to take advantage of the opportunities arising from the spectacular economic growth in the North Asian region.

As a strong supporter of an open multilateral world trading system under the GATT, New Zealand looks to the Uruguay Round to achieve a major liberalization of existing trade barriers. In particular, as a Cairns Group member, New Zealand is pressing for the full application of MFN principles to agricultural trade and the elimination of the many non-tariff measures which impede trade in agricultural commodities.