1. **Legal and administrative basis of the restrictions**

The Import Control Regulations 1938,¹ which entered into force on 7 December 1933, provide the legal basis for the import control imposed in New Zealand. These Regulations were made under the enabling powers of the Customs Act 1913 and the Reserve Bank of New Zealand Amendment Act 1936.

The control of imports was imposed, and has been maintained, for balance-of-payments reasons. The purpose of the Regulations is to restrict the importation of goods where such restriction is deemed necessary in the public interest:

1. To assist in promoting and maintaining the economic and social welfare; and
2. To enable the Reserve Bank of New Zealand pursuant to these Regulations, and to the Export Licences Regulations introduced at the same time, to fulfil its functions of regulating and controlling the transfer of moneys from New Zealand, and the disposal of foreign exchange derived from the export of New Zealand products.

Under the Import Control Regulations the importation of all goods, other than those exempted by the Minister of Customs by notice appearing in the New Zealand Gazette, is prohibited except pursuant to a licence. The Regulations prevail notwithstanding any authority for the importation of goods granted in accordance with any other provision of the law, nor does the granting of a licence under the Regulations with respect to any goods absolve an importer from compliance with any other provision of law relating to importation of such goods.

2. **Methods used in restricting imports**

Because of the serious deterioration in the balance-of-payments position, the "R" scheme, covering 206 items, provided for in the 1961 Import Licensing Schedule, was suspended on 14 April 1961. In respect of eighty-five of these items it was considered that licences issued under the scheme were considerably in excess of normal requirements and further licences for these items will not be issued except where orders had been placed prior to 14 April 1961 within the importer's entitlement but beyond the value of licences actually held at that date or under other special circumstances. The allocation of the remaining "R" items was changed to the "C" category but

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¹ The full text of the Regulations as amended was annexed to last year's basic document MGT(60)51.
special licences were similarly granted to cover firm orders prior to 14 April 1961. Licences already issued, and the special licences to cover orders are valid up to 30 June 1962.

The "A" or amount applied for, category was withdrawn on 19 June 1961, and all applications for "A" items under the 1961 Licensing Schedule are now individually considered as "C" items, but licences issued before 19 June remain valid.

The period covered by the main 1961 Licensing Schedule has been extended from 31.12.61 to 30.6.62 and licences issued under that schedule may be used at any time during that period.

A supplementary 1961 licensing period schedule provides for the importation of raw materials and essential consumer goods, and licences issued thereunder may be used for imports from 1 January 1962 to 30 June 1962. The provision made in this schedule is additional to that made in the main 1961 Licensing Schedule on which New Zealand's consultation in October 1960 was based.

"Exempt" items: Seventeen items are exempt from import licensing and include raw sugar, crude oil, motor spirit, certain bulk oils (e.g. kerosene and lubricating oils), crude sulphur, fertilizers and unmanufactured tobacco.

"Basic" items: These comprise the items in respect of which licences are granted by reference to a previous licensing period. The licences may be based on the value or quantity of imports during a previous representative period or on the value of licences issued for similar goods. There are thirty-three "basic" items in the Supplementary Schedule and the allocations are generally based upon the value of 1960 licences. The provision of a basic allocation for goods does not preclude the granting of additional licences, or the granting of licences to importers not qualifying for basic licences whose circumstances warrant.

"C-and-Basic" items: These items total 133 and have basic allocations based upon previous licensing period as described in the preceding paragraph, and provision is made for applications for licences in excess of the basic allocations to be considered individually as "C" items.

"C" items: There are 288 items in this category for which applications for licences to import goods are considered individually and the licences are granted upon such criteria as essentiality, availability, price, etc.

"D" items: No allocation has been made for these items, which total 547, but licences may be granted under exceptional circumstances.

"T" (token) items: The Supplementary Schedule makes no provision for token licences. However, the provision made in the main 1961 Schedule is not affected and imports as provided under those items may be made to 30 June 1962.
3. Treatment of imports from different sources

Except for licences for motor vehicles, all licences are issued on a "global" basis, i.e. they are available for imports from all sources. It is only in respect of motor vehicles that licences are issued separately for imports from dollar and non-dollar sources. However, the licences for both sources are issued on the same basis.

4. Commodities or groups of commodities affected by various forms of restrictions

This information is set out in the 1961 Supplementary Import Licensing Schedule dated 19 June 1961. The main 1961 Import Licensing Schedule which formed the basis of New Zealand's consultations in October 1960 is also relevant.

5. Use of State trading or government monopoly in restricting imports

The only commodity imported as a State-trading enterprise is wheat. Citrus fruit, bananas and pineapples are imported by an organization of merchants having, by agreement with the Government, the exclusive rights of importation. This procedure was introduced to ensure the orderly supply and marketing of these fruits.

6. Measures taken in past year in relaxing or otherwise modifying restrictions

Because of the deteriorating balance-of-payments position it has not been possible to undertake any general relaxation.

7. Effect on trade, and general policy in the use of restrictions for balance-of-payments reasons (statement by the New Zealand authorities)

The liberalizations in the licensing schedules for 1960 and 1961, combined with deteriorating terms of trade and a high level of internal demand, has resulted in acute balance-of-payments difficulties. It was to help correct a rapidly deteriorating situation that the intensifications of import licensing were made in April and June of this year. To date these measures have not yet had any great effect on the rate of importing, though it should not be long before there is some impact. The measures taken should result in a considerable reduction in the rate of importing in the first half of 1962.

New Zealand, like other primary producing countries - particularly those depending on exports of a narrow range of commodities - will undoubtedly continue to face sudden and violent fluctuations in export prices and thus be exposed to strong pressure on its balance of payments.
The most effective way in which New Zealand can limit the impact on its economy of export price fluctuation and guard against balance-of-payments difficulties is to build up and maintain substantial reserves of overseas exchange. In the absence of measures by other countries to liberalize imports and moderate agricultural protectionism, this is proving difficult. To increase her export income New Zealand is exploring export possibilities to the full, but new openings are limited. In present circumstances, therefore, recourse to import licensing is unavoidable if New Zealand's reserve position is to be protected.

In allocating New Zealand's limited exchange it has been necessary to give preference to essential imports. Consequently, the impact of the import controls on different countries has varied, depending on the type of commodity that they export to New Zealand. Nevertheless, in the framing of the import licensing allocations and the administration of the controls every effort is made to avoid unnecessary disruptions to established trade. Imports from dollar countries have recently shown significant increases.

Some new industries have been protected incidentally by import controls needed to conserve our foreign exchange reserves. However, no encouragement has been given to the establishment of industries which would flourish only during a period of shortage. The government has, on many occasions, warned industry that it could not depend on continued protection, and that industries when expanding production or entering new fields must have regard to their competitive position when restrictions on imported goods are no longer necessary.

Annex

"Import Licences: 1961 Licensing period, Supplementary Schedule"
(one copy sent to each contracting party)