

# New Zealand

## **1Bilateral trade relations**

According to China's Customs, the bilateral trade volume between China and New Zealand in 2006 reached US \$ 2.93 billion, up by 9.5%, among which China's export to New Zealand was US \$ 1.62 billion, up 19.7%, while China's import from New Zealand was US \$ 1.31 billion, down 0.9%. China had a surplus of US \$ 310 million. China mainly exported knitted or crocheted garments and accessories, non knitted or non crocheted garments and accessories, electromechanical products, electric products, beddings, furniture, lightings, and mobile communication base stations. Major imported products of China from New Zealand included milk, honey, meat and edible offal, animal hair and skin such as wool and sheep skin, wood and articles of wood, wood pulp, paper and paper board, etc.

According to the Ministry of Commerce(MOFCOM), by the end of 2006, the aggregate turnover of engineering contracts completed by Chinese companies in New Zealand stood at US \$ 66.15 million, and the volume of the completed labor service contracts reached US \$ 33.66 million.

According to MOFCOM, China's direct investment in non financial sectors in New Zealand, approved by or registered with MOFCOM in 2006, totaled US \$ 0.53 million. New Zealand investors invested in 110 projects in China in 2006, with a contractual volume of US \$ 260 million and an actual utilization of US \$ 83.4 million. By the end of 2006, New Zealand had accumulatively invested in 1,136 FDI projects in China with a contractual volume of US \$ 1.56 billion and an actual utilization of US \$ 660 million.

## **2Introduction to trade and investment regime**

In 2006, the Government of New Zealand followed its open policy and implemented a host of measures including tariff concession and trade facilitation to promote foreign trade, but maintained restrictive sanitary and phytosanitary policies. Besides, New Zealand further issued some new sanitary and phytosanitary standards in 2006. While New Zealand has maintained a welcoming attitude to foreign investment and lifted threshold on foreign investment to some extent, it still imposes enhanced restrictions on foreign investment in land business.

### 2.1Trade administration and its development

#### 2.1.1Tariff policy

##### 2.1.1.1Tariff level

On 1 July 2006, New Zealand decided to defreeze the unilateral tariff reduction plan, bringing tariff rates of 17 to 19% down to 17%. According to the plan, tariff rates of 5 to 7.5% will be reduced to 5% on 1 July 2008. The rates of 10 to 12.5% will fall to 10% on 1 July 2006 and decline to 7.5% and 5% on 1 July 2007 and 1 July 2008 respectively. The rates of 17% will be reduced annually to reach 10% by 1 July 2009.

#### 2.1.1.2 Tariff administration

To comply with the revision in Harmonized System(HS) that the World Customs Organization(WCO) makes in five yearly cycles and to accommodate advances in technology and changes in the patterns of world trade, the New Zealand Customs Service, Statistics New Zealand and the Ministry of Economic Development organized a project team, which worked closely together to incorporate the HS amendments into the Tariff of New Zealand. The 2007 Tariff came into force from 1 January 2007.

#### 2.1.1.3 Import linkage tax

From 1 October 2006, all imports are subject to the new biosecurity risk screening duty levied by the New Zealand Government, in addition to import duties and GST. The new levy, collected by the Customs on behalf of the Ministry of Agriculture and Forestry (MAF) is to fund MAF's new biosecurity screening work.

New Zealand also adjusted the excise and excise equivalent rates of duty applicable to alcoholic beverages, effective as of 1 June 2006. The adjustment to the rates was based on the movement in the Consumers Price Index over the past 12 month period.

#### 2.1.2 Import administration

On 1 July 2006, the MAF adopted the new import health standard funding and management system. Under the current import administration, the first step when a person wants to import a product is to check Biosecurity New Zealand's website to see whether an import health standard that covers the desired product already exists. If no appropriate import health standard exists, applications need to be sent to the MAF for a new standard. Considering that the MAF receives a huge amount of applications all through the year and has to process them in time, the new funding and management system was put in place. According to the new system, the MAF will suspend accepting new applications if there are too many requests, and prioritize the requests. After the requests are scored, they are re-sorted into a preliminary numerical order and then assessed against the acceptability criterion to form the prioritized list. Private funding is allowable for the review of the application. The MAF hopes that the new management system will improve work efficiency and optimize the utilization of resources.

### 2.1.3 Export administration

(1) In 2006, New Zealand enhanced the export administration over protected goods. The relevant law in this regard is the Protected Objects Act 1975. The Act updates and strengthens the protection for certain protected and cultural objects by amending parts of the Antiquities Act and renaming it as the Protected Objects Act 1975. The Act also updates the categories of protected objects, specifies and strengthens export control of cultural objects, military goods, and tractors, and increases the penalties for exporting or attempting to export a protected object without the required approval. The Act came into force on 1 November 2006.

(2) In 2006, the Government of New Zealand continued to subsidize the heightened cost of assuring the security of New Zealand's exports. The exporters already pay the fees for clearing their goods across New Zealand's borders. However, a significant part of this cost is currently met by the Government. Exporters will continue to receive this assistance up until the end of the 2007/2008 financial year. At the end of the two years, exporters will be required to meet the cost of the tighter security controls, which will be recovered through increased fee. Although charges differ according to the mode of transport, basic fee increases are likely to range from NZ \$ 6 to NZ \$ 17.

### 2.1.4 Trade remedies

According to the news released on the official website of the Department of Economic Development on 14 July 2006, the Government of New Zealand has started to review the Temporary Safeguard Authorities Act 1987 (TSA). The discussion paper of the Act has clarified the ambiguous points contained in the Act and substantiated the procedures involved to improve the operation of the law.

In the discussion paper, questions are raised to the public, including: issues regarding the extension of the timeframe for safeguard inquiries; should the safeguard inquiries be carried out by the Ministry of Economic Development or by a Temporary Safeguard Authority; should the Minister be authorized to impose a separate final and provisional duty or should the present method for imposing a safeguard measure by an increase in the tariff remain in place; should a safeguard measure be extended, renewed, or liberalized; should the definitions of "domestic industry" and "serious injury" in the TSA Act be made consistent with those in the Safeguards Agreement; should the notification and consultation provisions in the Safeguards Agreement be incorporated into the TSA Act; and should the developing country provisions of the Safeguards Agreement be incorporated into the TSA Act.

### 2.1.5 Relevant institutional changes

(1) New Zealand Registered Architects Board

The Registered Architects Act, enacted in 2005, has replaced the Architects Act 1963,

which was repealed in 2006. The New Zealand Registered Architects Board(NZRAB), created on 1 July 2005 under the new Act, now undertakes the registration function, replacing the Architects Education and Registration Board. Under the new Act, a registered architect is entitled to a renewal of his or her registration provided that he or she passes the assessment which takes place every five years, instead of being assured of a life time title under the previous Act. This reform measure is intended to better protect the security of the consumers.

## (2) Joint Therapeutics Products Agency(JTPA) between Australia and New Zealand

On 10 October 2003, New Zealand and Australia signed an Agreement to establish a Joint Therapeutics Products Agency(JTPA) to regulate all therapeutic products, including over the counter and prescription medicines and medical devices, in the two countries. The JTPA started to operate as of 1 July 2006.

## 2.2 Investment administration and its development

New Zealand amended the Overseas Investment Act and Overseas Investment Regulations in 2005 and 2006 respectively, lifting threshold on foreign investment. Pursuant to the new legislation, an overseas person will require consent of the Overseas Investment Office to acquire sensitive land or fishing quota, or 25% or more ownership of a business in New Zealand, or non land business assets exceeding NZ \$ 100 million(about US \$ 69 million). Significant policy changes also include lifting the threshold for acquisitions of non land business assets from NZ \$ 50 million to NZ \$ 100 million. Besides, the applications for the above investments, originally made to the Ministry of Conservation, are now handled by the Ministry of Finance and Land Information. The new regulations also lower the application fee from NZ \$ 2500(about US \$ 1725) to NZ \$ 1300(about US \$ 897) per application.

## 2.3 Trade and investment related administrative measures and their development

### 2.3.1 Trade related technical regulations

(1) The New Zealand Ministry for the Environment announced in April 2006 that the Ministry of Energy proposed an amendment to the Energy Efficiency(Energy Using Products) Regulations, considering raising the mandatory Minimum Energy Performance Standards(MEPS) by following the Australian New Zealand joint standards. The proposed amendment regulations prescribe for the MEPS for three phase motors and single phase non duct air conditioners. The raised standards were adopted on 6 June 2006. All three phase motors and single phase non duct air conditioners that fall under the description, be they imported or manufactured domestically, must meet the MEPS specified in the new standards on or after 6 June 2006. The standards became effective as of 20 June 2006.

(2) In August and September 2006 respectively, New Zealand published the draft assessment reports on Proposal P295 and Proposal P230. The proposals announced that New Zealand would consider mandatory fortification of bread with folic acid and

the substitution of non iodised salt with iodised salt in bread, starting from August and October 2007 respectively.

(3) In December 2006, the New Zealand Ministry of Health published the Amendment Bill to the Smoke free Environment Act 1999, involving the health warnings and health information on the packages of tobacco products. Currently, the Cabinet has approved the amendment to the Smoke free Environment Regulations 1999, requiring the display of larger illustrated health warnings on the packages of cigarettes, tobaccos, cigars, and other tobacco products. The amendment is expected to take effect in February 2007.

### 2.3.2 Sanitary and phytosanitary measures

(1) On 24 February 2006, New Zealand notified to WTO members through the WTO Secretariat of the import health standard for wood packaging material from all countries, effective as of 1 May 2006. Upon implementation of the standard, treatment of all wood packaging will be mandatory and untreated imported wood packaging will be treated, reshipped or destroyed. This requirement also applies to uncontainerized/break bulk cargo. Although exempt from ISPM 15, peeler cores are regulated under this standard.

(2) In May 2006, the New Zealand Ministry of Agriculture and Forestry(MAF) released the import health standard for soils, rocks, grit, sand, clay, peat and water from all countries. The standard specifies detailed requirement for the importation of soils, rocks, grit, sand, clay, peat(unprocessed, sterilized and processed), and water. The standard took effect immediate after it was released.

(3) In April 2006, the MAF amended the import health standard for dairy products for human consumption. The revised standard requires a statement made by the management of the factory regarding the processing and ingredients of the dairy products. The statement will have to be certified by an official veterinary. The standard, which is now effective, applies to all countries except Australia and member states of the European Union.

(4) In October 2006, the New Zealand Food Safety Authority(NZFSA) published the draft food standards, involving the maximum residue limits(MRLs) for agricultural compounds exported to New Zealand. The draft standard plans to add the MRLs for 7 agricultural compounds including Closantel to the list of MRLs for agricultural compounds in the New Zealand Food Standards. The draft standards are expected to take effect in February 2007.

### 2.4 Product specific administrative measures

(1) In January 2006, the MAF reviewed and revised the existing import health standard for Ya pear from Chinese Hebei and Shandong Provinces, requiring a certificate of inspection for the exporting consignments, products coming from areas

free from *Bactrocera dorsalis*, and necessary prevention measures taken by the production area against prescribed pests. The draft standards took effect on 6 March 2006.

(2) In February 2006, New Zealand notified to the WTO members through the WTO Secretariat of a new import health standard for the importation into New Zealand of specified bee products, to be implemented from March 2006. The new standard consists of 4 parts, General Information, Import Procedure, Clearance Procedure, and Zoosanitary Certification.

(3) On 20 February 2006, New Zealand imposed the import health standard for the importation of garlic from China, including the following phytosanitary measures: inspection and certification of export consignments, methyl bromide fumigation for 3 high impact arthropods; and pest free area and pest control activities for a high impact fungi.

### **3Barriers to trade**

#### 3.1Tariff and tariff administrative measures

##### 3.1.1Tariff peak

Most imported products are duty free in New Zealand. Besides, New Zealand re initiated the unilateral tariff reduction plan in 2006. As 2006 is the first year on the plan, tariff peak still exists in areas covering textiles, clothing and accessories(made of leather, plastics, artificial fiber), footwear and headwear, beddings, glass, machinery, and motor vehicles, tariff rates of which range from 10% to 17%. A typical example can be found with footwear and articles of plastics(for clothing and accessories), the tariff of which is still high after reduction with a rate of 17%. As the above products are the China's major exports to New Zealand, high tariffs prove to be an obstacle to the entry of the relevant Chinese products into New Zealand.

##### 3.1.2Tariff escalation

Tariff escalation, though not common, still exists in 2006 and is quite prominent in textiles and clothing, and footwear, where China enjoys an export advantage. While New Zealand levies no duties on most textile materials(such as cotton), rates of 5 to 10% are imposed on most woven products and a high rate of 17% is on most finished products like clothing, footwear and headwear. The Chinese side expresses concern over the matter.

#### 3.2Barriers to Customs clearance

Starting from 1 October 2006, all import consignments that attract the Import Transaction Fee in New Zealand shall also incur MAF's new biosecurity risk screening levy. The Chinese side is of the opinion that the introduction of a new levy

on all imported products regardless of their categories has far too extensive effect on imports, and this practice, applicable to imports only, constitutes a discrimination against imported products and therefore violates the MFN Principle of the WTO.

### 3.3 Import restriction

Under the current import administration, the importation of a product is only allowed if the imported product meets the relevant import health standard. If no appropriate import health standard exists, applications need to be sent to the MAF for a new standard. As the MAF is inadequately staffed and there are often a huge number of applications made by importers, the system fails to meet the practical needs, and in fact has become an obstacle to the importation of new products.

### 3.4 Technical barriers to trade

New Zealand will enforce mandatory fortification of bread with folic acid and the substitution of non iodised salt with iodised salt in bread in August and October 2007 respectively. While the Chinese side appreciates the measures taken by New Zealand to improve people's health, mandatory fortification of bread with folic acid and Iodine is not in line with the international practice. After all, most of the countries in the world don't have such mandatory requirements, and New Zealand has not been able to prove by sufficient scientific evidence the urgency of such mandatory fortification. The requirements fail to meet the legitimate objective principle as prescribed in the WTO/TBT Agreement

### 3.5 Sanitary and phytosanitary measures

(1) New Zealand implemented the new import health standard for wood packaging material from all countries, effective as of 1 May 2006. Though the standard is basically the same as ISPM 15 as far as the implementation principle is concerned, certain detailed requirements are tougher than international standards. For instance, the standard applies to both containerized and uncontainerized/break bulk cargo, requiring that treatment of all wood packaging be mandatory and untreated imported wood packaging be treated, reshipped or destroyed. ISPM 15 is the universally adopted uniform standard for wood packaging material, which has significantly streamlined the inspection and quarantine process. The previous New Zealand standard for wood packaging material was already a strict one, compared with ISPM 15. The revision in 2006 further extends the scope of inspection, and has certain impacts on trade. The Chinese side hopes that New Zealand will try its best to adopt the international standard in this regard so as to avoid obstructions to trade.

(2) On 28 August 2006, Food Standards Australia New Zealand (FSANZ) issued the assessment report on Applications A574 and A582 regarding MRLs, announcing that FSANZ would consider amending the Australian New Zealand Food Code by adjusting MRLs for various agricultural and veterinary drugs. The Chinese side hopes that FSANZ will base the amendment on sufficient risk analysis and comply with the

prevailing international standards so as to avoid unnecessary obstacle to normal food trade.

### 3.6 Trade remedy measures

Up to the end of 2006, there were altogether 11 anti dumping investigations initiated by New Zealand against Chinese products, among which the new one was initiated in 2006. Out of the 11 investigations, 6 cases were closed with the imposition of a final anti dumping duty and there are 3 cases where anti dumping duties remain in place.

On 21 February 2006, New Zealand initiated an anti dumping investigation against canned peaches from China. The Ministry of Economic Development made a final determination on August 21 that both dumping and injury existed and an anti dumping duty should be imposed on canned peaches from China starting from August 22. This was the third anti dumping investigation initiated by New Zealand against China after China's accession to the WTO, and the first since the launch of Sino New Zealand FTA negotiations.

The Government of New Zealand started to review the Temporary Safeguard Authorities Act 1987 (TSA) on 14 July 2006. The review is to substantiate the procedures involved. Proposed amendments include the extension of the timeframe for safeguard inquiries, application procedure for safeguard measures, and issues such as: should the notification and consultation provisions in the Safeguards Agreement be incorporated into the TSA Act; and should the developing country provisions of the Safeguards Agreement be incorporated into the TSA Act. The amended TSA Act will be more practicable and convenient for safeguard applications.

### 3.7 Barrier to trade in services

For the protection of domestic culture, New Zealand has been planning to introduce local content quotas into the radio sector, requiring a certain percentage of the local content be incorporated into the radio programs. As the restrictive measure would violate the rules of GATS, it hasn't been rolled out. However, the Government of New Zealand has claimed that it reserves the right to introduce the policy. Influenced by the policy that is yet to be introduced, all radio companies in New Zealand set up local content quotas on a voluntary basis, keeping a certain percentage of local content in their programs.

### 3.8 Working visa

There is a strict control on the importation of foreign labor in New Zealand. The importation of labor services mainly involve the recruitment and hiring of a small number of foreign experts and skilled workers that are in short supply domestically and opportunities for mass introduction of labor services are rare. However, there has been a lack of skilled workers, and the cost of labor is expensive in New Zealand. The



current visa policy of New Zealand, on one hand, makes it difficult for foreign invested firms or foreign engineering projects to get enough skilled workers and labors needed in time, and on the other hand, causes inconvenience to Chinese skilled workers who are to work in New Zealand.

#### **4Barriers to investment**

In 2006, the New Zealand Government maintained a welcoming attitude towards foreign investment and adopted a series of facilitation measures, but there are still restrictions on foreign access to certain sectors.

##### **4.1Investment involving land**

Stringent restrictions are imposed on foreign interests to acquire land or relevant assets that are deemed sensitive, such as farms, beaches, sea beds, river beds, lake beds, and relevant warrants). Especially after the promulgation of the Overseas Investment Act 2005, the Overseas Investment Board enhanced the supervision on the approval of foreign access to the sensitive areas, requiring the submission of detailed land administration plans by the foreign investor to the Government, which enjoys priority in purchasing beaches, sea beds, river beds, and lake beds, and has the right to deny foreign access to the above land. Besides, the investor is subject to further supervision and required to report at regular intervals how the agreement is implemented after the acquisition of the land. This has led to an increase in foreign demand for land and difficulty in acquiring land. As this has restricted China's investment in land business in New Zealand, the Chinese side expresses concern over the matter.

##### **4.2Ownership restrictions**

According to relevant regulations, a foreign person is not allowed to have interests of more than 49.5% of a telecommunications company. Foreign ownership of Air New Zealand is limited to 49%. For ocean fishery, foreign ownership of a commercial fishing company in New Zealand is limited to 24.9%, and any foreign investor is required to apply to the competent authority to obtain the fishing quota. The above restrictions have to some extent limited foreign access to these sectors.