

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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1972 CONSULTATION UNDER ARTICLE XII:4(b) WITH NEW ZEALAND

Basic Document for the Consultation¹

1. Legal and administrative basis of the restrictions

Section 48 of the Customs Act 1966, and the Import Control Regulations 1964 provide the legal basis for import control in New Zealand. The 1966 Act replaced the 1913 Customs Act.

The control of imports was imposed, and has been maintained, for balance-of-payments reasons.

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 or permit.

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 with respect to any goods absolve an importer from compliance with any other provision of law relating to importation of such goods.

The power to grant, revoke or modify licences or permits and to create exemptions is vested in the Minister of Customs. Regulations are administered by the Customs Department. Other Government Departments, such as the Department of Industries and Commerce, and the Department of Agriculture, function in a consultative capacity as regards various aspects of the control, and the Treasury and the Reserve Bank of New Zealand also advise the Government on policy issues involved. Trade associations may also be consulted on occasions. The Tariff and Development Board may upon request of the Minister of Customs and Minister of Industries and Commerce or Minister of Overseas Trade, make recommendations on any matter relating to the licensing of imports.

Licences are issued on an annual basis and are available for the importation of the specified goods at any time during the twelve months from 1 July to 30 June in the following year.

¹Material transmitted by the New Zealand Government.

2. Methods used in restricting imports

The 1972/73 Import Licensing Schedule sets out the provision made for imports into New Zealand during the year 1 July 1972 to 30 June 1973.

Import licensing categories for 1972/73 are:

"E" or "exempt" items

An import licence is not required for importation of goods under these items.

"Basic" items

Licences for these items are granted according to the percentage allocation indicated in the Schedule, based upon either the amount of a previous period's licences or upon the value of imports during a previous period. The provision of a basic allocation for goods does not preclude the granting of licences above the basic allocation or the granting of licences to importers not qualifying for basic licences, if circumstances warrant this course. In general, the licences for basic allocations are granted automatically without prior application by the importer.

"C" items

Applications for licences to import goods classed under these items are considered individually on such criteria as essentiality, availability, delivery, price, etc.

"C" plus "basic" items

These items have an initial basic allocation based upon a previous period and applications for further licences are considered individually as "C" items.

Administrative basic licences

These licences are issued to provide for importation of particular or specified goods that are contained in an item code which has, say, a "C" allocation. The administrative basic allocation covers only part of the item code. The licences are issued automatically and ensure continuity of importation of goods regularly required.

"D" items

No basic allocation is made for these items and licences may be granted in exceptional circumstances.

"Token" licences

These are granted to regular importers to the extent of 125 per cent of the 1971/72 level of licences issued on a value basis and at 110 per cent where they are issued for a specific quantity of goods. Token licences provide for the importation of commercial quantities of certain classes of goods, imports of which are not generally permitted under the Schedule.

No-remitance licences

The No-Remittance Scheme, which provided for the use of certain approved overseas funds for payment in respect of goods imported by private individuals or commercial concerns and for the issue of no-remitance licences based on such funds, was abolished as from 26 February 1972. With increased exemptions from licensing and increases in remitting licences it was considered that the scheme did not have the same relevancy as in the past. Provision is still made, however, for the issue of no-remitance licences in certain circumstances. Classes of goods for which licences are issued include:

- Advertising material supplied free of charge
- Gifts
- No-remitance permits for passengers baggage
- Replacement of faulty or damaged goods
- Trade samples supplied free of charge
- Temporary importations

3. Treatment of imports from different sources

There is no discrimination in the treatment of imports from different sources, all licences being issued on a "global" basis and are therefore available for imports from any country. However, under the New Zealand-Australia Free Trade Agreement, certain commodities listed in Appendix I Part III, to the Import Licensing Schedule and being the produce or manufacture of Australia, have been exempted when imported from Australia.

4. Commodities or groups of commodities affected by the various forms of restriction

This information is set out in the 1972/73 Import Licensing Schedule covering the importation of goods during the period from 1 July 1972 to 30 June 1973. In the Schedule the various items of the Customs Tariff are grouped together under item codes according to their allocation.

The Schedule has approximately 826 exempt or controlled items and these are summarized below. (This number excludes the various group allocations which are mentioned later in this section.)

Exempt items

It is estimated that in the 1972/73 licensing period approximately 75 per cent by value of all private imports will be free of licensing. (This figure includes C.K.D. road motor vehicles, which although not technically exempt, are subject to a liberal "replacement" scheme. This scheme provides for quarterly licence issues based on sales, and is tantamount to exemption.) The exempt items cover a wide field, ranging from raw materials to finished consumer goods and machinery.

Basic items

The 404 basic items cover a similarly wide range of goods. The general allocation level from 1972/73 has been set at 110 per cent of 1971/72 licences but this level has been increased in some 56 items, the allocation in these cases being set at 120 per cent, 125 per cent, 133 1/3 per cent or 150 per cent. These increased allocations apply to a variety of goods, e.g., flowers and vegetables, seeds, canned pineapple, spirits, liqueurs and wines, gloves, jewellery, locks, toys and sporting goods.

"C" items

There are 161 items in the "C" category, the principal of which are machinery and mechanical appliances, aircraft, ships and boats.

"D" items

In the "D" category there are 105 items covering goods of a kind made in New Zealand. These items include roasted coffee, tea in packages less than 5 lb., beer, some bottled spirits, and various articles of wood, paper and textile. However, for most of the "D" items token allocations have been provided.

Token licences

As in the past the items for which token licences are granted have not been specified in the Schedule. Token licences have been issued automatically to the extent of 125 per cent of the licences issued on a value basis in the previous year and 110 per cent of those issued for a specific quantity of goods. In the previous period (1971/72) the percentages were 175 per cent and 125 per cent respectively. For 1970/71 - 125 per cent and 100 per cent.

The token allocations cover such goods as preserves, soluble coffee, cigarettes, tobacco, clothing, toilet preparations, domestic electrical appliances and aluminium hollow-ware.

Administrative basic licences

There are fifty-seven item codes with administrative basic licence allocations. These include component parts for the manufacture of machinery, spare parts and miscellaneous items of machinery, parts of footwear and several forms of wire.

Industry, interchangeability and other groups

These groups which have been designed to give greater flexibility to importers in the use of licences have the following allocations:

Industry groups cover raw materials and components used in the manufacture of particular classes of goods such as biscuits and confectionery; paints, varnishes and printing inks; radio and television sets; electrical domestic appliances; footwear; and clothing. There are sixteen such groups, all with a basic allocation of 110 per cent 1971/72 licences or imports.

Interchangeability groups combine items of like goods and the importer may use the one licence for any of the goods within the group. The interchangeability groups are composed of consumer items such as foodstuffs, cutlery and sporting equipment. There are six such groups, all with a basic allocation of 110 per cent 1971/72 licences.

"Industrial" aggregation group

In previous licensing periods, aggregate group licences have been issued to manufacturers covering raw materials and components for use in the manufacture of a particular class of goods. This was in the case where industry groups or the provisions of the aggregation scheme, did not meet a particular need. Provision has been made for this type of group licence to be continued. The allocation provided for these is 110 per cent of imports for the same goods under 1971/72 licences, but in any case where an entitlement is unaffected by alteration to content (e.g. exemptions) the basis used is 110 per cent of 1971/72 licences.

Other groups are those for materials and appliances for educational purposes, spare parts of motor vehicles and spare parts of flying machines which have basic allocations of 110 per cent of 1971/72 licences. The articles and materials used by religious organizations, listed in G.501, are exempt from the requirements of a licence.

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

Wheat is imported by the Wheat Board, a Statutory Board appointed by the Government to represent all aspects of production, processing, distribution and consumption of wheat and flour. The functions of the Board include the obligation

to ensure orderly production, processing and distribution of wheat and flour, and that adequate supplies are available throughout New Zealand at all times.

Citrus fruit, bananas, pineapples and grapes are exempt import licence and are imported by a co-operative organization of merchants having, by agreement with the Government, the exclusive right of importation; the agreement providing that the profits of the organization are limited to a nominal amount. This procedure was introduced to ensure the orderly supply and marketing of these perishable fruits.

6. Measures taken since the last consultation in relaxing or otherwise modifying import restrictions

A further step in Government policy was taken when in the 1971 Budget Government announced a programme for the progressive removal of import licensing within five years and its replacement by Tariffs as the main measure of protection.

While import licensing has been in existence large sections of the New Zealand tariff have not been adjusted to meet the needs of changing circumstances. In conjunction with the review of import licensing there is the need to review the adequacy of the tariff structure. The Government is convinced that five years is the shortest possible time for the remaining items subject to import licensing to be reviewed within the framework of the existing administrative machinery.

The following broad priorities have been adopted in respect of goods to be proposed for exemption in terms of this policy:

- (i) materials, components and machinery which are common to a cross section of industry;
- (ii) materials and components up to and including final products used as a raw material or components by other industries;
- (iii) other goods on the basis of reasonably large segments of particular industries ranging from the basic raw material right through to the final products.

The first list of goods proposed for exemption under this policy was published in October 1971. It covered 677 individual items and included raw agricultural products and sections of the plastics, rubber, wood, paper, chemical and packaging industries. Ninety-seven items were subsequently exempted from licence and a further thirty-seven items are scheduled for exemption in the near future. The majority of the balance have or will be referred to the Tariff and Development Board.

Another list of exemption proposals is currently being compiled for release as soon as possible.

Import licences for industrial plant and machinery will be issued on a liberal basis to permit industry to take advantage of the most efficient methods of production, especially where exports are involved, provided suitable alternatives are not available from domestic manufacturers. However, existing machinery will be maintained and to this end a liberal policy has been provided for issue of spare parts licences.

Provision has also been made for "new importers", to enable concerns who do not qualify for an entitlement in terms of the Schedule allocation to obtain licence over a wide range of items. This is both continuation and an extension of "new importers schemes" introduced in 1970/71 and 1971/72. A considerable number of the goods included in this scheme were covered by "Token" issues only in the past.

7. General policy regarding the use of balance-of-payments restrictions

A. Introduction

During the past two years the New Zealand economy, as have many other economies, has been characterized by rising costs, prices and wages. In spite of these internal pressures the current account balance on overseas exchange transactions has been maintained at a reasonable level. From a surplus of \$99 million for the year ended January 1970 the current account moved in to a deficit of \$41 million in the year ended April 1971. Since then the balance has steadily improved to reach \$95 million in the year ended March 1972.

This recent improvement in the current account balance has been the result of both an increase in the rate of growth in exports and also a decline in the rate of growth in imports. Export receipts in the year ended March 1972 were \$1,332.5 million compared with \$1,165.1 million for the previous year, an increase of 14.4 per cent. Import payments in the same period increased by only 4.4 per cent from \$1,009.5 million to \$1,053.7 million. There was also a small improvement in the deficit on invisible transactions.

All major export groups contributed to the \$167.4 million rise in export receipts, the main contributors being dairy products (\$65.5 million) and meat (\$35 million). The marked slowdown in the rate of increase in import payments compares with the increase of 15.5 per cent between the 1969-70 and 1970-71 March years, and reflects both a lower level of economic activity and a slower rate of increase in import prices.

B. Government policy

In the 1971 Budget the Minister of Finance stated: "In my statement of 27 October 1970 I said that the objective of the measures which I then announced was to establish in the short term a better balance between spending and the available resources and to create an environment which will make it easier to check the wage-price spiral. I believe that we have gone some way towards achieving this aim. If this assessment is correct rising prices can with increasing certainty be attributed not to excess demand in the economy but to pressure of costs."

One of the major cost pressures being experienced was the rapid increase in wages and salaries in 1970 and the early part of 1971. To deal with this problem the Government introduced the Stabilization of Remuneration Act in March 1971 and this was followed in March 1972 by more extensive restraints on prices, wages and salaries and other incomes. The rate of inflation has shown signs of slowing down and should continue to do so, as the latest measures have their effect.

The very rapid rise in prices and costs has undermined business and consumer confidence and has lead to a slowdown in investment and consumption. This slowdown in economic activity has been reflected in a small growth in import payments over the last year.

C. The current situation and prospects

In the light of the current period of slow growth in the economy the Government has taken a number of measures which will stimulate economic activity. Late in 1971 a deferral of company tax was announced and a reduction in company tax foreshadowed. Payments to social security beneficiaries were increased, financial assistance given to sheep farmers and there was some relaxation of restraints on trustee savings banks. On 27 March, in conjunction with measures to restrain inflation, the Prime Minister announced a reduction in the Government stock ratio of some financial institutions and a relaxation of the hire purchase requirements for consumer durables. The Minister of Finance has also indicated in a public statement that the 1972 Budget, to be presented in June, is likely to be expansionary.

As these expansionary forces work their way through the economy the demand for imports should rise more sharply than at present. This upturn will be reinforced by a return of business and consumer confidence as inflation is brought under control by the Government's wide ranging action on prices and incomes. Because of the economic factors at work the full effects of the dismantling of quantitative import restrictions already undertaken have yet to be felt.

Exports are expected to continue to expand as the prospects for our major export products appear to be good in the short run. Wool prices have risen considerably in the last six months but this upward movement is not expected to continue into next season. However, it is hoped that prices will stabilize at levels above those ruling in recent seasons. It is likely that the current high prices for dairy products will be maintained into next season although the prices of some products will most likely fall when Britain enters the European Economic Community in 1973. Meat prices seem to have reached a plateau but the long-term prospects are satisfactory as meat consumption in our export markets increases as incomes rise.

Once the United Kingdom enters the European Economic Community there will be a phased reduction in the amounts of some of New Zealand's major exports to that country. Difficulty could be experienced in marketing the quantities of these products previously exported to Britain on other world markets at reasonable prices.

D. Conclusion

At present the New Zealand economy is characterized by slow growth combined with price and cost increases that are still too high. As inflation is brought under control there should be a resurgence of consumer and business confidence. Together with the expansionary forces operating in the economy, and the likelihood of further expansionary measures to be announced soon, there should be a considerable lift in economic activity later in the year. Any increase in economic activity will undoubtedly result in an increase in imports which would reflect in a higher level of import payments in 1973 when the removal of import licensing will continue.

On the exporting side the outlook for the main export products is satisfactory although the rate of increase in export earnings is likely to be slower than over the past year. The slower growth in exports combined with an upturn in import payments could well lead to a current account deficit in the foreseeable future.

ANNEX

Table 1

NEW ZEALAND IMPORTS BY DIVISIONS FOR THE
PERIOD 1 JULY 1968 TO 30 JUNE 1971
(valuation basis c.i.f. \$NZ'000)

Commodity	Year ended		
	30.6.69	30.6.70	30.6.71
00 Live animals	822	2,850	3,811
01 Meat and meat preparations	484	399	686
02 Dairy products and eggs	138	153	277
03 Fish and fish preparations	1,765	2,152	6,442
04 Cereals and cereal preparations	1,194	2,735	7,733
05 Fruit and vegetables	14,320	15,976	16,316
06 Sugar and sugar preparations	9,888	11,900	16,264
07 Coffee, tea, cocoa, spices and manufactures thereof	12,245	17,752	14,916
08 Feeding stuff for animals (not including unmilled cereals)	183	262	375
09 Miscellaneous food preparations	434	569	470
11 Beverages	6,228	4,921	6,507
12 Tobacco and tobacco manufactures	5,596	4,631	7,136
21 Hides, skins and furskins, undressed	324	600	514
22 Oilseeds, oil nuts and oil kernels	2,391	2,005	2,061
23 Crude rubber, including synthetic and reclaimed	7,006	8,207	7,645
24 Wood and cork	4,531	6,766	5,385
25 Pulp and waste paper	1,517	2,164	2,975
26 Textile fibres	7,890	8,351	8,216
27 Crude fertilizers and crude minerals excluding coal, petroleum and precious stones	28,852	34,387	28,485
28 Metalliferous ores and metal scrap	163	227	2,139
29 Animal and vegetable crude materials n.e.s.	3,702	4,658	5,172
32 Coal, coke and briquettes	11	5	299
33 Petroleum and petrolicum products	72,907	75,244	84,282
34 Gas	123	150	175
41 Animal oils and fats	65	68	82
42 Vegetable oils and fats, unprocessed	1,441	1,671	2,600
43 Animal and vegetable oils and fats, processed, and waxes of animal and vegetable origin	174	228	310
51 Chemical elements and compounds	32,001	33,373	40,509

Table 1. (cont'd)

Commodity	Year ended		
	30.6.69	30.6.70	30.6.71
52 Mineral tar and crude chemicals from coal, petroleum and natural gas	502	521	478
53 Dyeing, tanning and colouring materials	6,866	7,564	9,055
54 Medicinal and pharmaceutical products	18,524	20,767	24,873
55 Essential oils and perfume materials	3,623	3,758	4,413
56 Fertilizers, manufactured	7,326	7,487	10,025
57 Explosives	1,466	1,792	2,083
58 Plastic materials, regenerated cellulose, artificial resins	20,855	25,606	29,515
59 Miscellaneous chemical materials and products	13,225	17,276	17,199
61 Leather, leather manufactures n.e.s. and dressed furs	1,302	1,616	1,367
62 Rubber manufactures n.e.s.	5,845	7,268	7,902
63 Wood and cork manufactures (excluding furniture)	2,319	2,910	2,851
64 Paper, paperboard and manufactures thereof	10,510	11,997	13,269
65 Textile yarn, fabrics, made-up articles and related products	83,009	93,232	99,665
66 Non-metallic mineral manufactures n.e.s.	13,046	13,611	17,421
67 Iron and steel	67,981	79,762	91,496
68 Non-ferrous metals	30,389	41,898	41,501
69 Manufactures of metals	28,350	31,929	38,988
71 Machinery other than electric	107,283	131,383	166,022
72 Electric machinery, apparatus and appliances	51,908	55,628	70,260
73 Transport equipment	99,499	135,957	146,265
81 Sanitary, plumbing, heating and lighting fixtures and fittings	790	978	1,236
82 Furniture and fixtures	351	137	161
84 Clothing	2,821	3,210	3,168
85 Footwear	1,468	1,575	1,687
86 Professional, scientific and controlling instruments; photographic and optical goods, watches and clocks	23,422	25,842	29,301
89 Miscellaneous manufactured articles n.e.s.	31,168	35,427	41,684
93 Human remains	-	-	-
94 Live animals n.e.s. including zoo animals and animals commonly kept as pets	18	20	10
95 Arms of war and ammunition therefor	2,478	4,163	13,080
96 Coin (except gold coin) not being legal tender	11	25	33
GRAND TOTALS	852,887	1,006,022	1,157,145

Table 2

NEW ZEALAND IMPORTS BY COUNTRY
(valuation basis c.i.f. \$NZ'000)

Country of Origin	Year ended		
	30.6.69	30.6.70	30.6.71
Afghanistan	-	-	3
Algeria	1	1	1
American Samoa	-	12	-
Angola	20	-	77
Argentina	28	42	18
Associated States in Eastern Caribbean	13	7	29
Australia	152,693	192,077	222,744
Austria	987	1,538	1,791
Bahamas	3	17	15
Bahrain	1,968	4,658	6,165
Barbados	11	7	9
Belgium and Luxemburg	4,699	4,677	7,119
Bermuda	1	-	-
Bolivia	17	-	-
Brazil	551	1,221	2,062
British Honduras	1	-	-
British Solomon Islands	24	26	93
Brunei	514	3,140	5,288
Bulgaria	2	23	23
Burma	3	3	1
Burundi	-	-	1
Cambodia	23	4	-
Canada	33,036	41,042	42,238
Canary Islands	1	3	-
Ceylon	6,734	6,206	5,143
Chile	60	90	104
China (Mainland)	5,381	4,694	4,882
China (Taiwan)	268	737	788
Colombia	44	2,033	2,276
Congo (Brazzaville)	26	14	24
Congo (Kinshasa)	30	79	31
Costa Rica	315	132	30
Cuba	-	-	1
Cyprus	155	10	14
Central African Republic	-	-	42
Czechoslovakia	1,813	2,235	2,379
Denmark	1,903	2,547	2,904

Table 2 (cont'd)

Country of Origin	Year ended		
	30.6.69	30.6.70	30.6.71
Dominican Republic	5	3,033	6,268
Ecuador	925	1,856	2,517
Ethiopia and Eritrea	2	-	5
Fiji	3,018	1,251	3,681
Finland	1,202	1,112	647
France and Monaco	7,118	8,146	11,684
French Polynesia	19	38	28
Gabon	5	2	2
Germany, East	388	410	443
Germany, Fed. Rep.	35,588	38,597	51,341
Ghana	1,454	5,202	3,197
Gilbert and Ellice Islands	2,678	2,675	3,247
Greece	19	34	101
Guatemala	10	-	1
Guyana	76	107	142
Haiti	-	-	1
Honduras	8	3	13
Hong Kong	14,681	18,982	20,022
Hungary	53	186	166
Iceland	-	-	1
India	10,141	9,484	7,535
Indonesia	1,349	1,960	1,131
Iran	14,320	15,068	12,893
Iraq	546	109	129
Ireland, Republic of	351	351	546
Israel	411	184	232
Italy and San Marino	12,179	12,858	15,344
Ivory Coast	62	152	190
Jamaica	414	469	337
Japan	69,156	85,008	122,206
Kenya	630	466	651
Korea, Republic of	491	516	859
Kuwait	23,224	22,842	32,356
Lebanon	5	2	2
Macao	7	2	2
Malagasy, Republic of	7	5	6
Malawi	138	120	95
Malaysia	7,865	7,373	6,531
Malta	47	54	52
Mauritius	47	79	114
Mexico	408	223	586
Mongolian Republic	8	8	8
Morocco	20	21	22

Table 2 (cont'd)

Country of Origin	Year ended		
	30.6.69	30.6.70	30.6.71
Mozambique	63	58	160
Nauru	9,054	10,184	8,372
Netherlands	8,450	10,086	14,655
Netherlands Antilles	119	4	47
New Caledonia	-	-	131
New Hebrides Cond.	-	34	74
New Zealand Re-imports	1,054	1,863	1,921
Nigeria	126	629	151
Norfolk Island	-	3	1
Norway	1,757	1,623	2,543
Pakistan	3,893	4,099	3,969
Papua and New Guinea	434	522	552
Paraguay	-	-	1
Peru	28	43	43
Philippines	316	284	408
Poland	372	505	530
Portugal	785	851	740
Portuguese Guinea	6	-	-
Puerto Rico	23	17	15
Reunion	-	1	-
Romania	11	41	64
Rwanda	2	-	-
Ryukyu Island	-	28	-
Saudi Arabia	6,730	6,094	6,567
Seychelles	-	-	1
Sierra Leone	13	4	1
Singapore	3,948	3,850	2,026
South Africa	4,294	4,263	3,628
Southern Yemen	3,864	3,517	1,910
South West Africa	8	-	2
Spain	796	883	1,366
Sudan	83	62	89
Sweden	9,608	7,403	6,778
Switzerland	9,462	9,603	11,174
Syria	20	35	15
Tanzania	1,284	2,022	1,540
Thailand	364	537	377
Tonga	1,478	1,058	677
Trinidad and Tobago	76	56	129

Table 2 (cont'd)

Country of Origin	Year ended		
	30.6.69	30.6.70	30.6.71
Turkey	183	236	164
Uganda	1,042	1,297	2,050
U.S.S.R.	847	733	1,443
United Arab Republic	1	1	2
United Kingdom	254,546	289,892	327,257
United States	105,403	130,549	138,967
Uruguay	-	-	1
Venezuela	2	-	1
Western Samoa	1,598	2,133	353
Yemen	321	545	348
Yugoslavia	24	4,108	127
Zambia	-	-	1
TOTALS	852,887	1,006,022	1,157,145