

# GENERAL AGREEMENT ON TARIFFS AND TRADE

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## ACTION BY GOVERNMENTS RELEVANT TO THE PROVISIONS OF PART IV AND THE OPERATION OF THE ENABLING CLAUSE

In response to GATT/AIR/1906 of 28 April 1983, the following communication, dated 21 October 1983, has been received from the delegation of New Zealand in connection with the implementation of Part IV and the operation of the Enabling Clause.

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## I. NON-TARIFF MEASURES

A number of non-tariff measures have been implemented which will assist developing countries to increase their exports to New Zealand. Of particular significance are New Zealand's MTN undertakings; the liberalisation of import licensing under Industry Plans relating to textiles, plastics, writing instruments, wine, packing, canned fruit, tyres, footwear, glassware, and electric motors; exemptions resulting from the 1983-84 Import Licensing Schedule; and the tendering of import licences.

### 1. MTN UNDERTAKINGS

As a result of New Zealand's MTN undertakings on import licensing agreed at the Tokyo Round, additional licence allocations were made available on a range of products of particular interest to developing countries in the 1979-80 licensing period, and again in 1980-81, 1981-82. The range of items included - fish fillets; rice in retail packs; vegetable oils in retail packs; other prepared or preserved meat or meat offal only; sugar confectionery not containing cocoa; cocoa powder, unsweetened; chocolate and other food preparations containing cocoa; biscuits; macaroni; spaghetti and similar products; vegetables and fruit, prepared or preserved etc; jams, fruits and jellies; fruit preserved by freezing; vegetable and fruit juices not in bulk containers; extracts, essences or concentrates of coffee and coffee substitutes; textured vegetable protein; and prepared mustards, mixed condiments and seasonings other than soy sauce etc.

The extra licensing entitlement has been absorbed into the general basic allocations in the 1981/82 licensing year. In addition, the value of basic allocations has been increased by 25 percent over the 1980-81 period, and 15 percent over the 1981-82 period. The 15 percent increase in consumer goods was put up for tender in 1982/83. Some of the items in respect of which New Zealand agreed to additional licensing were "C" (controlled) items, and these were converted into Basic licences for the 1982-83 import licensing period.

### 2. INDUSTRY PLANS

The Industry Plans represent considerable trade liberalising measures which could be of particular advantage to developing countries. A significant feature of many of the Plans is the gradual phasing-out of import licensing to be replaced, after a period of several years, by appropriate Tariff rates. The Plans therefore clearly establish target dates for the liberalisation of import licensing restrictions.

Furthermore, during the phase-out periods, increasing amounts of licence are being tendered before the final exemption of the goods concerned. Such additional licence represents a significant increase in global quotas. As at the end of September 1983, a total of \$85.2m of additional licence has been offered for tender under the Industry Plans. (This

does not include the additional licence tendered under the ANZCERT agreement with Australia).

The following Industry Plans may be of particular interest to developing countries:

(i) Textile Industry Plan

A wide range of textile goods of interest to developing countries were exempted from import licensing control in the 1980-81 licensing period as a result of implementations of recommendations made by the Industries Development Commission in its report on the New Zealand textile industry. These included flax; yarn and thread containing man-made fibres in Tariff Chapter 51 with some exceptions; quilted fabrics; terry towelling and bathmats of terry towelling; also bed, table toilet and kitchen linen, plain; babies' napkins; bedspreads, plain; woven pile and chenille fabrics; woven textile fabrics, containing in any proportion man-made discontinuous fibres; woven continuous filament polyester net; woven polyester fabrics; babies' and infants' wear.

Other developments which have taken place as part of the Textile Development Plan include:

- (a) Increased import licence provision for certain textile yarns and fabrics made through the materials replacement scheme has been incorporated within the basic allocation for these goods.
- (b) Extra import licences are now granted in terms of the special allocation for twine, ropes cordage and cables of types made in New Zealand. The initial allocation of \$400,000 provided by the plan has been increased to \$500,000 in line with increases in overall import licensing schedule allocations since the commencement of the plan. In addition a liberal policy applies to the issue of licences for twine ropes and cordage of types not made in New Zealand.
- (b) Under the apparel tendering scheme there has been a substantial increase in the allocation for the issue of import licence in respect of clothing.

It should be noted that the Textile Industry Plan is currently subject to review by the Industries Development Commission which in its initial draft report recommended the reintroduction of the Materials Replacement Scheme for yarns and fabric and further issue of import licences for apparel by way of the tendering scheme. A decision on these recommendations will be made by the New Zealand Government after it has received a final report from the IDC.

(ii) Packing

The plan, which commenced in July 1981, is designed to identify and encourage those packing operations which can operate on an

internationally competitive basis. There is an initial tariff-testing period, during which time goods are being tendered to establish appropriate duty rates, after which import licensing protection will probably be phased out.

(iii) Wine Industry Plan

This Plan was implemented on 1 July 1981. Import licensing was replaced by tariff quotas, with provision for wine resellers and some retailers to obtain quotas. The significant difference from import licensing protection is that importers can import outside quota, although such imports are subject to a higher tariff. It is hoped that developing countries will participate in increased exports to New Zealand of these products.

(iv) Plastics Industry Plan

This Plan which was implemented on 1 July 1982, runs for a six year period. An initial tariff-testing period of three years will determine the levels of tariff protection for the remaining three years, during which time import licensing will be phased out. Generally, most products are being tested at a rate of 25 percent ad valorem. Some, such as resins, compounds and foams, are lower, while printed and embossed products and some finished articles, are higher.

New concessions under Tariff Chapter 39 and Tariff Heading 59.08 are now effective. Generally, products under Chapter 39 are being tendered over a three years period in six six-monthly rounds. In addition to tendering, manufacturers are entitled to receive import licence provision. (called Product Rationalisation Licence) amounting to 2½ percent of their value of production (factory selling price) of goods in a particular item code. These products could be sourced from developing countries.

(v) Writing Instruments Plan

This Plan which was implemented in September 1982, aims to replace import licensing with the Tariff. There is a two year tariff testing period, during which time licences are being allocated by tender, followed by a three year licensing phase-out period. High-cost pens, which are not made in New Zealand, are now exempt from import licensing. These are defined as all fountain pens and ballpoint and porous-tipped pens and markers having an f.o.b. value of 75 cents or more. Pens of this type could be sourced from developing countries.

(vi) Canned Fruit

The aim of the Plan is to achieve an overall liberalisation of imports of canned fruit. Licence for "basic" canned fruit (peaches, pears, apples, plums, apricots and fruit salad) is to be tendered over a 3-year period, followed by a 5 year phase-out of import licensing. Berryfruit has been granted "licence-on-demand" status, while certain other types of canned fruit (e.g. guavas, oranges, prunes, paw paws, mandarines) are now exempt licence control altogether.

The government also considered separately the question of canned pineapple, which has resulted in the exemption of this product from import licensing.

(vii) Tyres

The plan which was implemented in April 1983, provides for the phasing-out of import licensing control over a 6-year period, through gradually increasing the amount of licence tendered. Interim duty measures have been introduced for the first 3 years, to be reviewed on the basis of information provided by tendering. Tyres outside the range of New Zealand manufacture and not substitutable are now exempt import licence control. Tyre casings, used tyres and retreated tyres have also been exempted.

(viii) Footwear

The Plan, which is to run for 7 years from 1 July 1983, provides for better access to imported raw materials and components, the removal of duty concessions on leather, and a liberalisation of imports of finished footwear through the tendering of an additional 6 percent of the domestic market. Licences for footwear of clearly identifiable types not made in New Zealand are being made available in addition to the tender allocation, while children's footwear within a certain size range (9-9½) has been exempted from import licence control.

(ix) Glassware

The Plan which commenced in July 1983 is to run for six years, with a three year tariff-testing period followed by a three year phase-out of import licensing. Heat resistance glassware has been exempted as from 1 July and glass tableware is to be exempted in the second year of the plan.

(x) Electric Motors

The Plan sets out guidelines for the increasingly liberal allocation of licences for electric motors under the Manifestly Excessive Price, Quality, Technology/Differentials Policy. Under this policy (which is also applied to a wide range of manufacturer's inputs, etc), licences are granted where the cost of the New Zealand made equivalent is excessive, or where the quality and/or technology is deficient. Import licensing controls will be completely removed at the end of the third year.

3. 1983-84 IMPORT LICENSING SCHEDULE

- (i) A large number of changes in allocations were made across a wide range of item codes in the 1983-84 Schedule. These are almost invariably towards less restrictive or administratively more simple allocations. Some of the goods covered in these item codes may be of interest to developing countries, for example, canned potatoes and corn, petroleum bitumen, plastic travel goods, felt floor coverings and broadcasting receivers were all formerly 'C' (controlled) items

which have now been converted into basic licences.  
(Full details are published in the April 1983 issue of the Import Licensing Bulletin).

(ii) Exemptions

In addition to the goods exempted under various Industry Plans, the 1983-84 Import Licensing Schedule makes provision for some minor exemptions:

<u>Tariff Item</u>	<u>Classes of Goods</u>
48.11.000.09L	Lincrusta, window transparencies of paper.
73.32.029.31H	Socket pressure plugs
73.32.029.41E	Socket head screws
Ex 84.21.029	Motorised knapsack sprayers
97.04.009.11F	Billiard table pockets
97.04.009.39G	Other billiard requisites
97.04.009.51F	Table tennis nets
97.06.009.45J	Baseball and softball bats
Ex 97.06.009.95E	Clay pigeon projectors; croquet and polo mallets; ice skates (but not boots fitted with skates); quoits; racquet presses; shuttle-cocks, and skittles
Ex 97.06.009.99H	Grass skis; face masks, chest, limb, abdomen, and similar protectors designed especially for use in sports and outdoor games

The feasibility of exempting goods of a type not made in New Zealand, but subject to licensing for administrative purposes, is currently being considered, with a view to implementation in the 1984-85 licensing period.

(iii) Please refer to the 1983-84 Import Licensing Schedule Appendix I Parts IV and V for goods covered by SPARTECA and import regulations for Cook Islands, Niue and Western Samoa. The Secretariat could be supplied with a copy of these.

(iv) Publication of 1983-84 Basic Licence Holders and Other Information on Import Licensing

In 1982-83, the list of basic licence holders were made public for the first time. This list details all basic licence holders by item code and value of individual licence holding. This will greatly assist prospective exporters to New Zealand, by enabling them to go directly to the importers who hold basic licences for goods they are interested in selling in New Zealand. The list has now been updated to the 1983-84 licensing period, and includes for the first time information on the holders of

wine quota allocations. Detailed information on import licensing policy is published in the 1983-84 Import Licensing Policy Schedule, and further information on the administration of the licensing system is due to be made publicly available.

#### 4. TENDERING

The introduction of tendering as a means of allocating import licence should offer developing countries new opportunities to expand their exports to New Zealand. As noted above, to date \$85.2m of additional global licence has been put up for tender under the Industry Plans. A further \$12.7m was offered for tender across a broad range of consumer goods under the original four round Import Licensing Tendering Scheme. The Government is currently reviewing the scheme.

Tendering is also being used as a means of allocating a proportion of basic licence. A total of \$20m of basic licence has been put up for tender in the 1982-83 and 1983-84 licensing periods (i.e. approximately 15 percent of the total basic allocation in each year). The tendering of basics has been undertaken to increase the flexibility of the licensing system.

#### II. TARIFFS

Trade from developing countries for the year ending June 1982 totalled \$(NZ)1629 million, an increase of 12 percent over imports for the 1981 trade year. Of this, 78.2 percent (\$NZ1275 million) was set at free from all sources, while a further 10.2 percent (\$NZ166 million) was free with a preferential margin. Some 9.3 percent (\$NZ152 million) of goods from developing country sources were dutiable, but under New Zealand's GSP entitled to a margin of preference in their favour ranging from 2.5 percent to 20 percent.

The liberalisation of access under the Import Licence Tender Scheme has resulted in an increase of trade in areas not covered by a developing country preference. This increase, from \$NZ22 million in 1981 to \$(NZ)36 million in 1982 or 2.2 percent of the total developing country trade, has occurred mainly in the textile and garment field, with smaller gains noted on pineapple, tobacco, leather and radio equipment.

### III. SPARTECA

1. In line with the objectives of Part IV and the "special and differential treatment" provisions of the Framework Agreement, New Zealand, together with Australia, entered into an important, non-reciprocal regional trade arrangement designed to assist developing countries in the Pacific region. The Agreement, the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA), came into force on 1 January 1981.
2. The Agreement provided for Australia and New Zealand to grant duty-free and unrestricted access for most of the products exported by Island members of the South Pacific Forum on a non-reciprocal basis. In addition, it provides for economic co-operation among the governments concerned, with particular emphasis on assistance by Australia and New Zealand to help develop the export capability of the Forum Island countries. The Agreement has been ratified by the Forum Heads of Government from Australia, Cook Islands, Kiribati, New Zealand, Niue, Solomon Islands, Tonga, Tuvalu, Western Samoa, Papua New Guinea, Fiji, Vanuatu and Nauru.

Exports to New Zealand of products liberalised by the Agreement have increased since it came into operation. From 1 April 1983 a further list of products has been liberalised leaving only a short list of items which do not have both duty free and unrestricted access - namely tomatoes, capsicums, passionfruit pulp and juice, orange juice, limejuice, coconut cream, apparel and footwear.

New Zealand has been actively implementing the economic co-operation provision of the agreement in two major areas:

- (i) helping Forum Island Countries to find markets for their products and
- (ii) helping them to diversify their economies.

On trade promotion, New Zealand gives assistance through the Developing Countries Liaison Unit (as explained below). In addition, over the past twelve months trade Exhibitions and missions from Fiji and Papua New Guinea have been assisted.

New Zealand has helped to diversify the economies of the islands through the Pacific Islands Industrial Development Scheme which provides financial incentives to New Zealand firms setting up approved manufacturing or processing operations in Forum Island Countries. As at July 1983 there were 47 ventures in operation employing approximately 716 people. Assistance has also been given, through a variety of activities such as a survey on phytosanitary problems, training on a range of subjects and providing experts on such things as Standards.



IV. DCLU

Through the Developing Countries Liaison Unit (DCLU) established by the Department of Trade and Industry in 1975 to assist exports to New Zealand from developing countries, New Zealand has continued to assist developing countries increase their exports to New Zealand by helping in arrangements for visiting trade missions, trade groups and individual exporters. The assistance to these visitors has been extended to aiding them in exploring the market opportunities in New Zealand for their products. This year the unit has helped organise a trade mission and exhibition on New Zealand for Papua New Guinea. The products in this promotion included coffee, cocoa, fish, timber, furniture and handcrafts.

A number of small delegations from developing country trade authorities, which have visited New Zealand to report on the market for particular categories of products have also been briefed by the unit.

The unit has also continued to provide New Zealand market information on specific products to developing country exporters wishing to export to New Zealand. In the past year nearly 1000 enquiries from exporters were actioned by the unit - an increase of 8 percent on the previous year.

The unit has continued to assist New Zealand based officials of developing countries with trade inquiries which they have received.

New Zealand trade and Customs officials have participated in export seminars held in several Pacific Island countries. Also the Executive Office of the DCLU, visited Fiji, Tonga, Western Samoa and the Cook Islands to publicise the trade promotion services provided by the Unit and to assess the market prospects for Specific Island products in New Zealand.

V. DCHS

In the 1974-75 licensing period, the New Zealand Government introduced the Developing Countries Handicraft Scheme (DCHS), with an allocation of \$600,000 designed to give aid to developing countries through their handicraft workers.

The DCHS has become very successful with the allocation increasing annually. For the current licensing year it stands at \$3 million plus 23,000 pairs of shoes.