SUMMARY

1. During the review period 2015-21, New Zealand continued to strengthen its position as one of the most open economies in the world and updated some elements of its trade and investment regime. New Zealand considers trade as critical for its prosperity and seeks to ensure that trade is inclusive.

2. New Zealand's real GDP grew 3.4% annually on average between 2015 and 2019, reflecting positive terms of trade but witnessed the largest fall on record in the second quarter of 2020 due to the COVID-19 pandemic. The activity rebounded strongly in the second half of 2020 behind a substantial fiscal policy response focused on cushioning the pandemic's negative effects on households and businesses. The competitiveness of New Zealand's main goods exports, notably live animals and animal products also supported the resilience of the economy. With one in four New Zealanders' jobs dependent on exports, trade is seen by the authorities as the critical enabler of post-pandemic economic recovery. According to the IMF, New Zealand's real GDP growth rate in 2021 is projected to be 5.1%, compounded by strong domestic demand. Nonetheless, lower labour supply because of muted migration flows, weak capital accumulation, and slowing productivity growth are expected to adversely affect potential output.

3. According to the IMF, New Zealand's fiscal and monetary mix has been successful in promoting economic recovery and maintaining price stability. Under recent amendments to its monetary policy framework, price stability is defined as annual increases in the consumer price index of between 1% and 3% on average over the medium term, with a focus on keeping future average inflation near the 2% midpoint of the Reserve Bank of New Zealand (RBNZ)'s target. The RBNZ has also included, for the first time, a second objective of encouraging maximum sustainable employment. Annual inflation averaged 1.3% during 2015-20; the IMF estimates that it increased to 3% in 2021 owing to higher commodity prices and increases in shipping costs. During the review period, New Zealand registered fiscal surpluses up to 2018/19, largely due to spending restraint. Fiscal deficits followed in 2019/20 and 2020/21 on account of the large-scale fiscal measures (expenditure and revenue forgone) in response to the pandemic.

4. New Zealand's external position, including its nominal and real exchange rates, is broadly in line with fundamentals and desired policy settings in view of the IMF. The current account deficit (2.7% of GDP on average during 2015-21) was mainly driven by a large trade deficit. New Zealand's exports have performed better than the Government initially expected during the pandemic, providing much needed help to the economy. However, the global spread of COVID-19 and the resulting containment measures took a heavy toll on New Zealand's merchandise exports and imports. In 2020/21, New Zealand's total two-way trade had its largest recorded annual fall. Trade performance across New Zealand's key trading partners has varied widely through the pandemic, based on a range of factors, including the individual pandemic experience of each partner and the respective bilateral export/import product mix.

5. During the review period, New Zealand developed its new trade strategy, the Trade for All Agenda, based on a wide public consultation process that took place in 2018. The Agenda aims to ensure that New Zealand's trade policy benefits all New Zealanders and is coherent and supportive of other government policies targeted to achieve sustainable and inclusive economic development. In June 2020, New Zealand also adopted the Trade Recovery Strategy, which included: (i) broadening the support for exporters; (ii) working towards strengthening and reforming the WTO and pursuing trade agreements; and (iii) refreshing major trade relationships to achieve further trade diversification.

6. New Zealand is a firm supporter of the multilateral trading system and remains actively engaged at the WTO. It took leadership roles as chairs of various WTO bodies, including the General Council in 2020, and promoted and participated in discussions on joint initiatives such as, for example, micro, small, and medium-sized enterprises, e-commerce, services domestic regulation, investment facilitation, trade and gender, and trade and climate. It also supports a TRIPS waiver on COVID-19 vaccines, as well as reforms to strengthen the WTO. In 2015, New Zealand ratified the Agreement on Trade Facilitation, endorsed the expansion of the Information Technology Agreement, and also joined the plurilateral Agreement on Government Procurement (GPA). New Zealand maintains a strong record of notifications, providing more than 300 notifications to the WTO since January 2015. During the review period, New Zealand was involved as a complainant in one dispute settlement case and has not been a respondent.

7. New Zealand is also pursuing its trade objectives through regional and bilateral initiatives. Since 2015, New Zealand added four new regional trade agreements (RTAs) to its network, which currently consists of 13 RTAs involving 29 economies, including some of its main trading partners, namely Australia, China, and Japan. The new four RTAs, all in force, are: the New Zealand-Republic of Korea FTA, the Pacific Agreement on Closer Economic Relations Plus (PACER Plus), the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), and the Regional Comprehensive Economic Partnership (RCEP). In addition, New Zealand signed an FTA with the United Kingdom in February 2022, and further RTAs are under negotiation with the European Union, India, and the Pacific Alliance (Chile, Colombia, Mexico, and Peru).

8. In general, foreign investments in New Zealand are permitted without restrictions; some exceptions apply notably to investments involving assets deemed as sensitive, which are subject to approval following a screening process, and since 2020, to those involving businesses considered strategically important. New Zealand also applies specific limitations on foreign investments in its national flag carrier and the telecommunications company (Chorus). During the review period, New Zealand launched a broad reform to simplify its foreign investment regime and enhance the coverage of high-risk transactions.

9. New Zealand updated and modernized its customs legislation since its last Review. Import and export procedures, including customs valuation regulations and appeal mechanisms, as well as import/export prohibitions, restrictions and licensing are now regulated through the Customs and Excise Act 2018, which replaced the Customs and Excise Act 1996. The 2018 Act came into force on 1 October 2018 with a view of making the customs regime more transparent. It provides for a number of new services and better support compliance, and also intends to promote economic growth by making it easier for traders to do business.

10. New Zealand's simple average applied MFN tariff rate was 2.2% in 2021 (2.4% in 2014), considerably lower than the simple average bound tariff rate of 10.5%. Differences between bound and applied rates may provide the Government with scope to raise applied tariffs, although this was not the case during the period under review. Over 60% of tariff lines are duty free, although higher tariffs continue to apply to footwear, textiles, and clothing.

11. New Zealand's current quantitative restrictions in force are implemented for various purposes, such as protection of public morals, compliance with domestic regulations and international conventions, or protection of public health. They include agricultural products, chemicals, and endangered species, as well as a range of food products.

12. The Dumping and Countervailing Duties Act 1988 was amended in May 2017 to provide for a public interest assessment in the application of anti-dumping and countervailing duties. Otherwise, no major changes were made during the review period to New Zealand's legislation and institutional framework on anti-dumping, countervailing and safeguard measures. Since its last Review, New Zealand initiated and completed several anti-dumping and countervailing investigations, with some anti-dumping duties levied and no countervailing duties applied. New Zealand did not impose any safeguard measures or undertake any safeguard investigations during the review period.

13. Over the last few years, the main export promotion agency, New Zealand Trade and Enterprise, received additional funding and resource to support the country's trade recovery. New Zealand continues to provide various forms of incentives to firms with a strong emphasis on innovation and capacity building; according to the authorities these are not targeted at specific sectors. In its latest notification to the WTO, New Zealand reported 3 subsidy schemes in 2021 (down from 11 in 2011), which aim to promote R&D, industry innovation, business capabilities, jobs, sustainable economic development, and environmental sustainability.

14. The Standards and Accreditation Act 2015 entered into force in March 2016 as the principal legal instrument for the development and adoption of standards and conformity assessments. It has led to institutional reforms affecting the process for the approval of standards, and the management structure of the International Accreditation New Zealand, the country's accreditation body. Since 2015, New Zealand has signed three new recognition agreements or arrangements: one for the acceptance of conformity assessment results, and two for certification. New Zealand has also adopted two new Consumer Information Standards Regulations requiring labelling information for water-using equipment (2017), and food (2021). The latter, requiring that labels include the country

of origin, was the object of the only TBT specific trade concern against New Zealand during the review period. In 2018, New Zealand also started to fully implement its standardized packaging regime for tobacco.

15. The authorities have continued to take actions with a view to further reinforcing New Zealand's biosecurity protection, including traceability obligations and food recall requirements. At the same time, SPS-related boarder procedures were streamlined through a number of reforms, including the use of automated electronic systems for issuing export certificates for food, plant, and animal products. New Zealand's risk-based SPS regulations apply equally to imported and domestically produced food, animal, and plant products. Food products that represent higher risk are identified by the authorities on a regular basis, and are subject to more stringent food safety requirements. Animal and plant products cannot be imported into New Zealand, unless an import health standard (IHS) has been developed to specify the biosecurity requirements that must be met by that product; 16 IHSs were drafted between 2015 and 2021. In 2018, specific trade concerns were raised with respect to New Zealand's draft import health standard for vehicles, machinery, and equipment in the SPS Committee.

16. During the review period, New Zealand's competition framework, under the Commerce Act, was amended several times. The amendments created a new regime relating to cartels by categorizing cartel conduct into three different types: price-fixing, restricting output, and allocating markets. The amendments also criminalize cartels and accorded the Commerce Commission the power to conduct market studies and the right to accept enforceable undertakings to resolve competition concerns. The Commission has the power to clear a proposed merger if the transaction is unlikely to have the effect of substantially lessening competition in a market in New Zealand. Some sectors of the economy (such as the fuel market and the retail grocery sector) still suffer from limited competition.

17. In 2019, updated Government Procurement Rules came into force, introducing the concept of "broader outcomes" to be considered by procuring entities in their procurement strategies, individual procurement procedures, and at the contract management stage; one such outcome is the requirement that at least 5% of the total number of mandated government agencies’ procurement contracts (including contracts above the GPA thresholds) be awarded to Māori businesses.

18. Since its last Review, New Zealand acceded to four new WIPO treaties as well as the Paris Act (1971) of the Berne Convention, undertook new IP commitments in its FTAs, and amended/adopted several IP laws. The Government has continued to work with Māori to address the protection, use and development of Māori knowledge system. A *sui generis* system for the protection of geographical indications was implemented in 2017, while a new regime for the protection of plant variety rights is expected to enter into force in 2022. Patenting activity has declined in New Zealand, following the implementation of higher patentability requirements, while trademark applications and grants has steadily increased. Data protection for confidential information supporting an application for registration of an agricultural or veterinary compound was expanded. The Copyright Act 1994 was recently amended to strengthen the related rights of performers and to expand the availability of copyrighted works to those with print disabilities. Creative and broadcasting industries have recently called for new measures to combat digital piracy. Interceptions of trademark and copyright-related goods by customs authorities declined sharply in the last few years.

19. During the review period, agricultural output increased, mainly due to meat and dairy production. The sector continued to contribute significantly to New Zealand's total merchandise exports (over half of goods exported), while it accounted for 6.2% of GDP in 2019/2020 and 5.84% of employment in 2019. Nonetheless, growth in agricultural total factor productivity lags behind the OECD's average, and nearly half of New Zealand's greenhouse gas emissions come from agriculture; Government efforts are underway to address these issues. The simple average applied MFN tariff on agricultural products (WTO definition) was 1.8% in 2021, and government support to the sector is among the lowest within the OECD, with the main support measures focused on pest and disease control, knowledge and innovation systems, environmental programmes, and infrastructural services. Export regulations establish a prior approval system for export of Kiwifruit, and a licensing system for export of horticultural products. Fishing activities have a great socio-economic and strategic importance, with some 13,500 people employed in the sector and a contribution of NZD 4.2 billion per year in economic activity. With a view to ensuring sustainability of its fish stock,

New Zealand implements a quota management system. Foreign-flagged charter vessels fishing in New Zealand waters (within the 200-mile limit) are required to reflag as New Zealand ship.

20. While hydrocarbons continue to be New Zealand's main source of primary energy and an important source of greenhouse gas emissions, energy efficiency is a high priority for the authorities. Several strategic plans, and an emission trading system, were put in place during the review period to achieve environmental targets at both domestic and international levels, including a goal to transition to net zero carbon emissions by 2050.

21. The manufacturing sector accounted for 10.7% of GDP and 8.6% of employment in 2019/20, and 17.8% of merchandise exports in 2021. The simple average applied MFN tariff in manufacturing was 2.3% in 2021 compared with 2.5% in 2015. The Government's main efforts seek to promote innovation, while limiting the sector's environmental footprint.

22. The services sector accounts for 71.6% of GDP. Financial services are dominated by the banking industry, which held some 86% of overall financial system assets in 2021. The four large foreign-owned banks hold 85% of bank lending. Efforts are underway to further develop capital markets. Several regulations have recently been issued to further reinforce the prudential regime for financial institutions.

23. The telecommunications market has continued to grow over the last few years, in line with the rising trend in mobile services, while fixed-line connections were declining. The pandemic led to an increase in fixed broadband data usage; however, travel restrictions led to a collapse in total mobile roaming. The Government, in collaboration with the private sector, has mobilized large resources to further improve telecommunications infrastructure, including broadband connectivity. In recent years, digital inclusion and cybersecurity have become strategic goals for the authorities. Several public programmes have been launched to further improve mobile coverage and access to fast broadband in homes and businesses. As connectivity continues to support New Zealand's economy, measures have been taken to protect users against cyber threats.

24. New Zealand has signed air services agreements with 71 partners, and continues to advocate for open skies agreements, based on its international air transport policy. In the wake of the pandemic, the Government implemented a number of financial packages to: (i) support the continuation of essential trade flows, including the import of medical supplies and the maintenance of air connectivity for passengers and future tourism capacity, and (ii) ensure the sustainability of the aviation sector.

25. No significant regulatory changes took place in maritime transport during the review period. Maritime transport remains key to New Zealand freight movement. Shipping services are provided by both New Zealand based ship operators and international shipping lines, for whom cabotage is restricted. Foreigners are only allowed to register a ship under the country's flag in co-ownership with majority owner New Zealand nationals.

26. Historically, tourism is New Zealand's largest export earner, and it contributes significantly to GDP, employment, and tax revenue. However, in 2020 and 2021, the tourism industry suffered from the impact of the pandemic. In response, the Government undertook several support measures for the sector. Funding was provided through a range of initiatives including the protection of core tourism assets, as well as the development of the domestic tourism market, and digital capabilities.