

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

EOP/10

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Committee on Balance-of-Payments Restrictions

1962 CONSULTATION UNDER ARTICLE XII:4(b) WITH

N E W Z E A L A N D

Basic Document for the Consultation¹

1. Legal and administrative basis of the restrictions

The Import Control Regulations 1938, which entered into force on 7 December 1938, 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 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 with respect to any goods absolve an importer from compliance with any other provision of law relating to importation of such goods.

¹Based on a statement submitted by the New Zealand authorities.

The power to grant licences and to create exemptions is vested in the Minister of Customs. The Regulations are administered by the Customs Department. Other Government departments, such as the Department of Industries and Commerce, the Treasury Department and the Department of Agriculture, function in a consultative capacity as regards various aspects of the control, and both the Board of Trade and the Reserve Bank of New Zealand advise the Government on policy issues involved. Trade associations may also be consulted on occasion.

2. Methods used in restricting imports

The 1962/63 Licensing Schedule for the twelve months commencing 1 July 1962 makes provision for the following import licensing categories:

"E" or "Exempt" items

These items may be imported from any source without the requirement of an import licence.

"A" items

Licences for these goods are granted to normal and regular importers initially to the extent of 75 per cent of the value of licences granted for imports of similar goods from all sources during the 1960 licensing period. Provision is made for the issue of further licences to meet actual requirements beyond that allocation on evidence of full commitment of the initial licence and the need for additional licence in the light of actual sales performance or usage in manufacture.

"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 of similar goods during a previous representative period or on the value of licences issued for similar goods. 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, where circumstances warrant.

"C" items

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

¹One copy of the 1962/63 New Zealand Import Licensing Schedule was distributed to each contracting party together with document L/1760/Add.1 dated 16 May 1962.

"D" items

No allocation has been made for these items but licences may be granted under exceptional circumstances.

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 percentage basis. The question of issuing licences for motor vehicles on a "global" basis is now being re-examined.

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

Out of approximately 1,000 items there are ten "E" items. An "A" allocation is provided for fifteen items covering a variety of commodities including sausage casings, iodized salt, tea in bulk, and dry flong for the manufacture of matrices; basic allocations are provided for 578 items. There are 210 items falling within the "C" category, and 178 items falling within the "D" category. In general, the provision made for essential raw material imports under the Schedule is expected to allow manufacturers to maintain usage at the 1960 level.

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, pineapples and grapes 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 the past year in relaxing or otherwise modifying restrictions

The 1962-63 Import Licensing Schedule is based on the form of the 1962 Customs Tariff which came into force on 1 July 1962. There is thus considerable difficulty in endeavouring to make any comparison with previous schedules which were aligned to the old tariff and covered a calendar year, in respect of particular classes of goods.

The 4,000 separate tariff items have been regrouped into approximately 1,000 items for the purposes of import licensing. The licensing allocation given to each schedule item had regard to the content of the tariff items making up the schedule item. Thus, if a separate item consisted predominantly of "D" items then it was given a "D" allocation. As a result, some goods for

which licences have been issued in the past and will be issued in the current period, now appear in an item which has a "D" allocation. Administrative steps have been taken to ensure that, as far as possible, these goods are not given a more restrictive licensing treatment than would have been the case had the Schedule not been based on such an extensive re-grouping of items.

The allocations provided for each group of tariff items subject to a basic allocation are available for the importation of all or any of the items included in the particular group. This should ensure a reasonable degree of flexibility in the range of goods covered by the import licences concerned.

In relation to the provisions of the 1961 Supplementary Schedule the 1962-63 Schedule undoubtedly provides for a substantial easing of allocations over a wide range of goods. Approximately £250 million has been provided for private import payments, thus restoring to a large extent the level of private import payments which obtained in 1960 when the comparable figure was £255.8 million.

In addition, provision has been made during the currency of the 1962-63 licensing period for further imports under a "free funds" import scheme whereby privately-owned overseas funds may be used to import goods on a no-remittance basis. The volume of such funds held overseas is unknown but they are thought to be substantial. By permitting their use for commercial imports a greater volume of imported goods will be possible than could be provided from normal exchange reserves. The scheme makes provision for the importation of goods to the value of 80 per cent of the eligible funds and for the repatriation of the balance (20 per cent) through normal banking channels. Import licences issued under the scheme are confined to goods of a class for which normal remittance licences are issued under the 1962-63 Schedule.

The system of "group licences" under which an importer may elect to have a single licence covering all his entitlements to licences for individual commodities covered by the group has been continued and extended by the addition of two further groups.

It has been found necessary to withdraw the "token licence" scheme in order that the funds so saved may be applied to imports more essential to the economy.

In view of the difficulties experienced in translating the previous licensing schedule form into the new tariff nomenclature an assessment will be made early in the period of the amount of exchange actually required for basic licence issue as revealed by the applications received. If this shows that further issues of licences are required to ensure maximum use is made of the overseas funds available for private imports, adjustments will be made.

7. Effects of restrictions on trade and general policy in the use of restrictions for balance of payments
(Statement by the New Zealand authorities)

The point has been made many times that New Zealand is one of the primary producing countries dependent on the export of a narrow range of primary commodities for its earnings of overseas exchange. The long-term deteriorating trend in New Zealand's terms of trade has resulted in almost chronic balance-of-payments difficulties. On occasions these difficulties are heightened as a result of fluctuating prices for primary commodities, and intensifications in the import regime are necessary to restore a better balance.

At the consultation last year the New Zealand delegate had to report intensifications in import licensing, which would result in a lower level of imports over the succeeding few months. Those measures, together with substantial borrowing from overseas, and a policy of firm restraint on internal demand have had a beneficial effect on the balance-of-payments position. In the import provision for the 1962/63 licensing year there has been some relaxation compared with the supplementary schedule issued in June 1961. Private imports in the period July 1962 to June 1963 will be about the same level as the annual rate for the past eighteen months, and if the no-remittance scheme for commercial imports (described above) is taken advantage of, may be slightly greater. Further overseas borrowing will however be necessary to maintain the essential minimum level of imports provided for in the 1962/63 licensing period.

The most constructive way New Zealand can overcome its balance-of-payments problem is to expand its export earnings so that imports can be maintained or increased whilst at the same time adequate reserves of overseas exchange can be built up to cushion the effects of price fluctuations. New Zealand is making every effort to enlarge and diversify its overseas markets. These efforts are, however, being seriously prejudiced by protectionist agricultural policies in Europe and North America and accompanying subsidized exports by these countries. Unless policies of agricultural protectionism are moderated New Zealand's competitive advantage as an efficient producer and exporter of livestock products will continue to be largely nullified by a lack of reasonable marketing opportunities.

The allocation of New Zealand's limited overseas exchange has required preference being given to essential imports. Consequently, although licences are issued on a global basis, the impact of the limitation on imports on the trade of other countries with New Zealand may have varied depending on the type of commodities they export to New Zealand.

The need to conserve New Zealand's foreign exchange reserves and so rely to a greater degree on domestic production has meant some incidental protection by import licensing. The Government has made it quite clear, however, that the long-term policy is for the establishment only of industries which will be efficient and economic with prospects of competing successfully against imports without recourse to quantitative restrictions, except in exceptional circumstances, e.g., infant industries which will strengthen the New Zealand economy but which require some protection in the early stages. The recent revision of the New Zealand Customs Tariff was carried out in part to provide the conditions for industrial development on a sound and economic basis in the years ahead.