

NEW ZEALAND

In 1996, the U.S. trade surplus with New Zealand was \$263 million, an increase of \$22 million from the U.S. trade surplus of \$241 million in 1995. U.S. merchandise exports to New Zealand were over \$1.7 billion, an increase of \$34 million (2.0 percent) from the level of U.S. exports to New Zealand in 1995. New Zealand was the United States' forty-fourth largest export market in 1996. U.S. imports from New Zealand were nearly \$1.5 billion in 1996, an increase of \$13 million (0.9 percent) from the level of imports in 1995.

The stock of U.S. foreign direct investment (FDI) in New Zealand in 1995 was \$4.5 billion, an increase of 25.1 percent from the level of U.S. FDI in 1994. U.S. FDI in New Zealand is concentrated largely in the manufacturing and petroleum sectors.

Overview

In the 1996 World Trade Organization (WTO) trade policy review of New Zealand, the WTO Secretariat noted that "New Zealand has transformed its economy from among the most heavily protected and regulated to one of the most market-oriented and open in the world." New Zealand's open trade and investment policy continues to be a bellwether for regional and global trade and investment liberalization.

The future of this policy will partially depend on actions of the new Coalition Government formed by the National and New Zealand First Parties on December 10, 1996 -- New Zealand's first government under its new mixed member proportional voting system. Most of New Zealand's free market policies and economic reforms of the past 12 years remain largely unaltered by the two parties' coalition agreement. However, the agreement suggests new limits on, and criteria for, approval of foreign direct investment. There are also indications that deregulated natural monopolies like telecommunications could be subject to some government oversight in the future, which could potentially provide greater market access for domestic and foreign competitors. What effect, if any, these and other suggested policies could have on U.S. interests will only become clear with implementation or alteration of the terms of the coalition agreement over the coming year.

STANDARDS, TESTING, LABELING, AND CERTIFICATION

Sanitary and Phytosanitary Controls

U.S. exporters do not believe that New Zealand's current ban on imports of fresh, chilled, and frozen salmon is warranted by existing international standards or known health risks. The Ministry of Agriculture's Chief Veterinary Officer has advised that he expects a draft international health standard for salmon from the United States to be implemented by the end of December 1997, following completion of a Ministry risk assessment (expected in July) and a mandatory public consultation period.

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ANTICOMPETITIVE PRACTICES

Pharmaceutical Management Agency

In New Zealand, the Pharmaceutical Management Agency (PHARMAC) is a limited liability company owned jointly by the four Regional Health Authorities (RHAs). The RHAs are responsible for purchasing health services and supplies for the population within their geographical areas of responsibility. PHARMAC administers the national pharmaceutical schedule on behalf of the RHAs.

PHARMAC controls a pharmaceutical schedule on which all Government of New Zealand-subsidized pharmaceuticals are listed. Private medical insurance companies will not cover unsubsidized medicines. Thus, PHARMAC effectively controls which prescription medicines will be sold in New Zealand and, to a large extent, the price at which they will be sold. Both foreign and domestic companies have filed five separate legal actions questioning the legality of PHARMAC's practices under New Zealand's Commerce Act. U.S. industry argues that PHARMAC prevents patent holders from obtaining a "fair" return on their costs because PHARMAC will not provide realistic subsidies for new and improved products in existing categories.

U.S. industry estimates that U.S. companies serve 30 percent of New Zealand's \$500 million market. Industry advises that it is not possible at the current time to provide a reliable estimate of the increase in sales that would accrue to the research-based companies in New Zealand were the government to change its policies regarding reimbursement of medicines.

OTHER BARRIERS

State Trading Enterprises

U.S. agricultural interests have made state trading enterprises (STEs) a focus for criticism of other agricultural exporting countries, such as Canada, Australia, and New Zealand. They argue that exporting monopolies have market power that enables them to undercut the prices of competing U.S. products, and that STEs use profits from protected domestic markets to subsidize into export markets. The issues surrounding STEs are being addressed in the WTO's STE Committee. The information gathered in this committee, as well as in the WTO's Committee on Agriculture and from other sources, will be used as a basis for strengthening disciplines on STEs in the next round of multilateral negotiations which, for agriculture, commence in 1999. The Administration has made transparency in STE operations and discipline of STEs a priority in future work in the WTO.

The New Zealand Dairy Board

The New Zealand Dairy Board (NZDB) is one example of an exporting agricultural STE. The New Zealand Government does not directly intervene in dairy production or prices. However, all export of dairy products manufactured in New Zealand is carried out by the NZDB, a statutory cooperative established under the Dairy Board Act of 1961. Two government appointees sit on the 13 member Board. The NZDB cannot be dissolved except by act of parliament.

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Reform legislation was passed under the Dairy Board Amendment Act in August 1996, which clarified ownership and equity issues. The main change is to have the Board's assets (brands, plants, etc.) held by a company formed by statute. The NZDB will remain a cooperative but will be owned by the industry's 15,000 dairy farmers. The shares of the company are owned by private sector interests, whose share holdings are based on their respective milk production in the previous season. The shares are nontransferable, nontradeable, and nonvoting.

As required under the new legislation, on November 5, 1996, the NZDB adopted a written constitution which covers issues pertaining to shares, meetings, voting at meetings, dissolution of the Board, and dispute resolution. To change the constitution requires 75 percent shareholder approval (through recent mergers, the top two dairy companies have very nearly reached this threshold). The NZDB's role in the acquisition and marketing of products for export remain unchanged. The NZDB can and does license individual companies to export products, but not on a large scale (the products are usually "niche" type products).

Other Producer Boards

Besides the Dairy Board, there are other producer boards in New Zealand. Legislation addressing these boards remains unchanged at present. Changes are being considered to alter powers in the meat and wool structures in the areas of ownership, accountability, and acquisition. Such changes may come this year.

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