



UNITED NATIONS CONFERENCE ON TRADE AND DEVELOPMENT

Generalized System of Preferences

HANDBOOK ON THE SCHEME OF NEW ZEALAND

INT/97/A06

**UNCTAD Technical Cooperation Project on Market Access,
Trade Laws and Preferences**

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INTRODUCTION

This Handbook is intended to give, in a consolidated and concise form, information regarding the tariff advantages available to developing countries under the scheme of generalized preferences of New Zealand, and the conditions under which goods may qualify for preferential treatment on importation into New Zealand, on the basis of official texts of the New Zealand customs administration as of 15 August 1997.

The Handbook has been prepared by the UNCTAD Technical Cooperation Project on Market Access, Trade Laws and Preferences (INT/97/A06) primarily for use within the context of project activities.

It should be noted the description of products is given in terms of the Harmonized Commodity Description and Coding System on which the New Zealand Customs Tariff is based. Matters involving technical interpretation of the GSP will be determined, however, in accordance with the provisions of the New Zealand Customs Tariff, since the scheme has been devised on an individual tariff line basis.

Although based of official texts, the Handbook cannot be regarded as a substitute for these texts. For more detailed information, authentic and up-to-date legal texts should be consulted.

Further information may be obtained by writing to the

New Zealand Customs Administration
Private Bag
Wellington
New Zealand

BACKGROUND

New Zealand introduced its GSP scheme on 1 January 1972. Since its implementation the scheme has been fully reviewed four times - in 1976, 1984, 1986 and in 1988. The latest review took place against the background of New Zealand's overall movement towards zero tariffs. By 2000, most normal tariffs-covering 89 per cent of New Zealand tariff items-will be a zero or 5 percent duty. GSP preferences will be minimal since for all those items, the standard margin of preference will be zero or 1 per cent. For the remaining 11 per cent of tariff lines the margin of preference will range between only 1-3 per cent.

Post-2000, the New Zealand Government has indicated its intention to move quickly to zero tariffs, well before the APEC deadline of 2010. In addition to unilateral reduction programmes, New Zealand will continue to participate in regional and international activities such as the APEC sectoral liberalization initiative and WTO zero for zero agreements.

The latest review determined that changes in the New Zealand tariff regime and in the international trading environment mean that New Zealand's GSP scheme, created 25 years ago, was no longer appropriate and that certain modifications were required. In light of this latest review, the New Zealand Government has decided that the New Zealand GSP scheme will continue in its current form for least developed countries. They will continue to enjoy duty free access except on some footwear and some apparel. The Government agreed that the GSP scheme will be formally abolished when normal rates fall to zero for all tariff items covered by the scheme. Developing country preferential rates under the GSP scheme will be frozen on 1 July 2000 and then will be phased out as normal tariffs reduce to zero. During this phase out period developing country tariff rates will not be increased. The product graduation element was abolished as of 1 January 1998. Under this previous product graduation element, when imports from a developing country under a particular tariff item exceeds the twin benchmarks of import share (25 per cent of total imports) and a certain value for duty (NZ\$122,000 in 1996) those imports lost their preferential status.

DEPTH OF TARIFF CUTS

The preferential tariff rates accorded under the GSP are generally maintained at the duty-free level for least developed countries (LLDCs) or at 80 per cent of the MFN or "normal" level for other developing countries (LDCs). However, of some tariff items, the LDC preference is greater, e.g., wood pulp (Chapter 47) and on articles of tin (Chapter 80). Similarly, duty is payable on some items from LLDCs (apparel, on which there is a small LLDC preference, and footwear, on which there is no preference). Excise equivalent duties are not subject to concession under GSP or any other scheme.

BENEFICIARIES

LDC's are granted beneficiary status on application, provided they meet specified economic benchmarks (viz per capital GNP relative to New Zealand's). Approval must also be consistent with New Zealand's international obligations (e.g., United Nations sanctions). One hundred and five LDCs have preferential access to the New Zealand market (see Appendix 1).

LLDCS, defined by the United Nations using a per capita income benchmark (maximum of US\$400 per annum), have been beneficiaries of the scheme since 1 July 1985. Forty six LLDCs have preferential access to New Zealand (see appendix 1).

The New Zealand Government intended that LLDCs should eventually obtain duty-free access for all products. However, some exclusions were made for industry assistance reasons. About 98.5 per cent of LLDC imports into New Zealand under "dutiabale" tariff items receive a special LLDC preference.

Quantitative Restrictions

New Zealand does not impose any quantitative restrictions on GSP imports (or any other imports).

Graduation policy

New Zealand operates a country graduation policy under its GSP scheme. (As mentioned above, a product graduation measure was phased out on 1 January 1998.)

Country graduation is aimed at focusing the GSP scheme on assisting and promoting growth in the relatively-poorer developing countries, rather than benefitting countries that have already achieved a comparatively high degree of development. Under New Zealand's GSP, a beneficiary loses preferences when its per capita Gross National Product reaches or exceeds 70 per cent of the New Zealand level. The base reference source for this data is the World Bank Atlas. At this level of relative income, a country is considered to have developed beyond the point where it needs preferential tariff treatment. When a beneficiary exceeds the benchmark, it is 'graduated' and loses its preferential status. In the past, a beneficiary which was 'graduated' could apply for a reinstatement of preferences for certain items to be placed in a special concessions category. This possibility was revoked in the most recent review, as the value of such reinstated imports was found to be insignificant.

PRODUCT COVERAGE

New Zealand's scheme is based on the 'negative list' concept; that is, all goods are subject to preference unless specifically excluded. The initial priority was to provide LDCs with preferential treatment for their semi-manufactured and manufactured products, with the main emphasis being placed on the industrial products in Chapters 25-97 of the Harmonized Tariff. Raw materials and base metals are, with few exceptions, not included in the GSP; most are 'Free All Sources' in the New Zealand Tariff. LDC product coverage is wide but not universal (some 72 per cent of the dutiable tariff items in the New Zealand Tariff provide for LDC preferences). Certain "sensitive" industries are excluded, in part or wholly, from the GSP. These exclusions relate mainly to sectors covered by former "Industry Plans" (including Apparel, Commercial Shipbuilding, Footwear, Glass, Motor Vehicles and Ceramics).

RULES OF ORIGIN

Rules of origin are used to determine the eligibility of products for preferential treatment. To enjoy preferential tariff treatment, products must be

- wholly obtained in a LDC/LLDC, or
- partially manufactured in a LDC/LLDC.

(a) Products wholly obtained in a LDC/LLDC

The following products wholly obtained in a LDC/LLDC will qualify for GSP tariff treatment:

- (i) Mineral products extracted from its soil or from its seabed;
- (ii) Vegetable products harvested there;

- (iii) Live animals born and raised there;
- (iv) Products obtained there from live animals;
- (v) Products obtained by hunting or fishing conducted there;
- (vi) Products of sea fishing and other products taken from the sea by its vessels;
- (vii) Products made on board its factory ships exclusively from the products referred to in sub-paragraph (vi) above;
- (viii) Used articles collected there fit only for the recovery of raw materials;
- (ix) Waste and scrap resulting from manufacturing operations conducted there;
- (x) Products obtained there exclusively from products specified in sub-paragraphs (i) to (ix) above.

(b) Products partly manufactured in a LDC/LLDC

Products partly manufactured in a LDC/LLDC will qualify for GSP tariff treatment provided:

- (i) The final process of manufacture has been performed in that country; and,
- (ii) At least one-half of the factory or works cost of the finished products is represented in each article by the value of:
 - material the product of any LDC/LLDC or
 - material the produce of New Zealand and/or
 - other items of factory or works cost incurred in any LDC/LLDC or in New Zealand.

Note: Thus, for the purpose of the 50 per cent calculation, any materials or parts being the produce of New Zealand, (preference-giving country content) or originating in any other LDC/LLDC (principle of full and global cumulation) may be aggregated to comply with the minimum requirement. This facility of cumulation means that all LDC/LLDC beneficiaries may regard the produce of other LDC/LLDC as qualifying content in respect of their products with imported content ("partially manufactured products"). Products of one beneficiary may also enter into the commerce of other beneficiary countries without interfering with their right to be entered into New Zealand under preference.

Definition of "factory or works cost"

Note: Distinction is to be made between factory or works cost and f.o.b. or ex factory price.

(a) Application of factory or works cost

It relates only to products partly manufactured in a beneficiary country. It is not a factor in the determination of the origin of products wholly obtained in a beneficiary country.

(b) The factory or works cost of any manufactured product is the total sum of the following items

- Cost of materials as received into the factory excluding customs, excise or other duties payable in respect of those materials;
- Manufacturing wages (i.e., the direct wages paid for the labour expended in producing the product concerned, including holiday and sick leave with pay);
- Factory overhead expenses, namely:
 - All expenses directly or indirectly connected with manufacture (e.g., rent, rates and taxes in respect of the factory);
 - Motive power, gas, fuel, water, lighting and heating of the factory;
 - Expenses of factory supervision (e.g. wages and salaries of manager, foreman, timekeeper and watchman);
 - Repairs, renewals and depreciation of plant, machinery, tools and factory buildings. Including perishable tools, dies and drills;
 - Royalties payable in respect of patented machines or processes used in the manufacture of the products concerned;
 - Cost of inner containers, including packaging for retail sale but not including outside packing used for the conveyance of goods.

(c) Exclusions from factory or works cost

Calculation of factory or works cost does not take into account the following items:

- Manufacturer's profit or the profit on remuneration of any trader, broker or other persons dealing with the article in its finished condition;
- Royalties in respect of the finished products;
- The cost of outside packages or any cost of packing the products in them;
- Administration and general office expenses;
- Any cost of conveying, insuring or shipping the products subsequent to their manufacture;
- Any other charges incurred subsequent to the completion of the manufacture of the products.

- (d) Factory or works cost includes, inter alia, the cost of materials received into the factory

These materials may be of two types:

- (i) Materials purchased from local sources:

These are taken at purchase price in calculating cost as received into factory. The following points should be noted:

- Local duties-such as purchase taxes are not regarded as part of purchase price in this context and, therefore, may not be counted towards the minimum requirement;
- If purchase is from a local associate or subsidiary company on a "discount" or "no charge" basis, the cost of the materials taken at normal market price or at cost plus normal mark-up;
- Work done locally on materials on a contract basis is regarded as part of the cost of the material as received into factory, e.g., contract price for bleaching or printing textiles. Where the companies are associated. The normal domestic charge for that work is taken into account;
- Freight into factory is regarded as part of the cost of the material and may, therefore, be counted towards the minimum requirement.

- (ii) Materials imported:

These are taken at c.i.f. price in calculating cost as received into factory. The following points should be noted:

- Customs, excise or other duties are not regarded as part of the cost of the material;
- Freight from port to factory is regarded as part of the price for purposes of determining qualification for preferential rates of duty, internal freight from the port of importation to the factory is regarded as expenditure incurred in the country entitled to preference;
- Where imports are made from a parent or associated company, the c.i.f. price is not necessarily accepted; the values accepted by local customs authority of the developing country concerned may be taken as guide to c.i.f. price.

Note: Where there is doubt as to the value at which materials are to be taken for factory or works cost purposes, the New Zealand Customs Department may accept the value shown in the manufacturer's books according to the method usually followed in its costing system.

Definition of "manufacturing wages"

Manufacturing wages are the direct wages paid for labour expended in producing the product concerned.

Definition of "factory overhead expenses"

The following points should be noted in connection with factory overhead expenses:

- Only expenses directly or indirectly connected with, or relating to the factory may be included in calculating factory or works cost; direct or indirect expenses connected with, or relating to, any other section of the enterprise must be excluded;
- Factory supervision includes training, inspection, laboratory, and other tests to verify the purity, etc., of the raw materials and of the product itself, both during manufacture and on completion; however, cost of experimental work on new products is not regarded as part of factory or works cost;
- Cost in connection with factory sick-bay and nurse, factory drawing office, factory welfare fund, medical insurance and factory store, are regarded as part of factory or works cost.

Note: None of the above items is, however, included as a matter of course or on a hypothetical basis. They must exist as part of the manufacturer's costing system.

Definition of "profit":

Neither the manufacturer's profit, nor the profit of anyone dealing in the finished product, may be included as factory or works cost. That cost is cost before profit or mark-up is added.

Preference-giving country content

As mentioned above, New Zealand applies the preference country content rule by allowing products (materials, parts or components) of its own production or manufacture to be considered as originating in the beneficiary country. Thus, in case of products exported by a beneficiary country to New Zealand, materials, parts or components of New Zealand origin and which are imported from New Zealand and used in the manufacture of those products are regarded as originating in the beneficiary country and need not be counted as import content with respect to the 50 per cent requirement.

Cumulative acquisition of origin

New Zealand also accepts the principle of cumulative acquisition of origin on a full and global basis. This means that all beneficiary countries of the New Zealand scheme may regard the produce of any other beneficiary country of the New Zealand scheme as qualifying content in respect of their products eligible for preferential treatment, not wholly obtained in that country but manufactured with imported materials, parts or components.

Goods entering the commerce of another country

Except in the case of goods going from one developing country to another, goods lose their duty preference if they enter the commerce of another country before importation into New Zealand.

Goods are deemed to have entered into the commerce of a country:

- (a) Where they have physically entered that country for manufacture or trade purposes;
- (b) Where they have been cleared through customs of a country, even if not unloaded;
- (c) Where they have entered into the commerce of a free-port of any country;
- (d) Where they have been bonded at a free-port before actual sale to an importer in New Zealand.

Goods are not deemed to have entered into the commerce of a country:

- (a) Where they are in transit through a country as part of their voyage to New Zealand;
- (b) Where they are bonded as part of the voyage to New Zealand provided they have previously been sold to a New Zealand importer.

Documentary Requirements

New Zealand does not require exporters to submit a prescribed formal certificate of origin/declaration, although the importer may be asked for verification of the preference claim at the time of entry or at a subsequent time. Verification may take one of several forms, such as a production of costing details, physical examination, visit to a manufacturer, statement or declaration from the manufacturer or exporter.

HANDICRAFT PRODUCTS

Under new Zealand's special regime for handicraft products, duty-free entry is granted for a certain number of "approved handicraft goods". For these articles a definition of a general nature has been provided in Appendix II.

Appendix I**GSP BENEFICIARY LIST****A. Less Developed Countries (LDC's)**

Albania	Malaysia
Algeria	Malta
Angola	Mauritius
Anguilla	Mexico
Antigua and Barbuda	Micronesia, Federated States of
Argentina	Mongolia
Aruba	Montserrat
Bahrain	Morocco
Barbados	Namibia
Belize	Nauru
Bolivia	Nicaragua
Bosnia-Herzegovina	Nigeria
Brazil	Norfolk Island
British Indian Ocean Territory	Oman
British Virgin Islands	Papua New Guinea
Bulgaria	Pakistan
Cameroon	Palau
Cayman Islands	Panama
Chile	Paraguay
China, People's Rep. of	Peru
Christmas Island	Philippines
Cocos (Keeling) Island	Pitcairn Island
Colombia	Poland
Congo	Romania
Costa Rica	St. Helena
Croatia	St. Kitts and Nevis
Cuba	St. Lucia
Czech Republic	St. Vincent & the Grenadines
Dominica	Saudi Arabia
Dominican Republic	Senegal
Ecuador	Seychelles
Egypt	Slovak Republic
El Salvador	Slovenia
Falkland Islands (Malvinas)	Sri Lanka
Fiji	Suriname
Gabon	Swaziland
Ghana	Syrian Arab Rep.
Gibraltar	Thailand
Grenada	Tonga
Guatemala	Trinidad and Tobago
Guyana	Tunisia
Honduras	Turkey
Hungary	Turks & Caicos Islands
India	United States Minor Outlying
Indonesia	Islands
Iran, Islamic Rep. of	Uruguay
Iraq	Venezuela
Ivory Coast	Vietnam
Jamaica	Wallis and Futuna Islands
Jordan	Zimbabwe
Kenya	
Korea, Rep. Of	
Lebanon	
Liberia	
Libyan Arab Jamahirya	
Macao	
Macedonia (former Yugoslav Rep. of)	

B. Least Developed Countries (LLDC's)

Afghanistan	Malawi
Bangladesh	Maldives
Benin	Mali
Bhutan	Mauritania
Botswana	Mozambique
Burkina Faso	Myanmar
Burundi	Nepal
Cambodia	Niger
Cape Verde	Rwanda
Central African Republic	Sao Tome & Principe
Chad	Sierra Leone
Comoros	Solomon Islands
Djibouti	Somalia
Equatorial Guinea	Sudan
Ethiopia	Tanzania, United Rep. of
Gambia	Togo
Guinea	Tuvalu
Guinea-Bissau	Uganda
Haiti	Vanuatu
Kiribati	Western Samoa
Laos, People's Dem. Rep. of	Yemen
Lesotho	Zaire
Madagascar	Zambia

Appendix II**SPECIAL REGIME FOR HANDICRAFT PRODUCTS****Approved Handicraft Goods**

All articles of:

Abaca fibre, bamboo, banana fibre, bark, berries, bone, cameo-shell, cane, clay, coconut (fibres, leaf bud, leaves, sheath, shell), copper and copper alloys, coral, handwoven cordage, hibiscus fibre, horn, ivory, lava, mother of pearl, natural gums, natural resins, palm leaves, pandanas, pine-needles, pine-shells, quills, raffia, rattan, reeds, sakikl leaves, seeds, shell, sisal, straw, stone, tapa, teeth, tin and tin alloys, tortoise-shell (including, in the case of jewellery, tortoise-shell with metal inlay), tusks, twince, or combinations thereof.

Articles of natural wood, viz:

Bowls, canoes, decorative carvings, dishes, dolls, drums, fans, figurines, furniture, gongs, masks, model houses, picture frames, table articles, trays, walking stocks, weapons.

Articles of leather, viz:

Hand-tooled and hand-embroidered apparel; hand-tooled and silver inlaid hand-made saddlery and harness.

Articles of silk, wool, cotton, linen, jute and other vegetable fibres not already specified under paragraph 1 above, viz:

Handwoven textiles, fabrics, hand-printed (block, screen or batik printed), weighing less than 186 g/m² and not containing hand-made fibres; table linen of the foregoing hand-printed fabrics; jute belts.

Plastic-covered bamboo baskets.

Note: Products must be wholly or principally by weight of the approved materials. However, other materials are permitted if they are of a minor nature and do not contribute towards or detract from the essential nature of the goods (e.g. filling of wood-wool).

Definition of Handicraft

The concession applies to goods which the Collector is satisfied are made:

- (a) by hand;
- (b) by tools held in the hand;
- (c) by machines powered by foot or hand; or
- (d) by any combination of rate foregoing processes.

However, goods that have been "hand crafted" within the definition above from machine-made or processed materials of basic form, that is to say, materials in a form not predetermined by its intended ultimate end-use (e.g. a rectangular sided block of stone, a billet of wood, a rectangular sheet of copper) will not normally be excluded from being "handicrafts".

Goods are not precluded from being regarded as "handicrafts" by reason of their use in the manufacture of:

- (a) mechanically powered tools, provided they are held in the hand (e.g. electric drill) - this does not cover a situation where the article being produced is held in the hand and worked on a machine tool fitted to bench, stand or other support or
- (b) machines not held in the hand, provided they are hand or foot powered (e.g. treadle operated sewing machines and potters' wheels); or
- (c) machine-made materials and components of a minor nature that are incidental to the assembly or normal operation of those goods (e.g. sewing threads, plain buttons, plain fasteners, nails, screws, plain hinges, paint or dyes).

Goods made up by hand, in whole or part from machine-made components, would not normally qualify as "handicrafts".

Goods held by hand against a cutting or grinding tool driven by a bench power-driven machine whereby artistic or decorative effects are produced will not be regarded as "handicrafts".

[Note for Internet users: The Annexes to this Handbook are available in hardcopy only and can be obtained, free of charge, from the UNCTAD Secretariat:

Fax : +4122 907 0044 or E-mail : gsp@unctad.org]