

# Background Pack on non-tariff barriers

What is a non-tariff barrier?	1
What is the scale of the issue?	2
What is being done to address the issue?	3
New trade barriers clearinghouse ( <a href="http://www.tradebarriers.govt.nz">www.tradebarriers.govt.nz</a> )	3
Case studies	3
Video case studies	6

## What is a non-tariff barrier?

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1. Trade barriers such as government policies and regulations that favour local suppliers are called non-tariff barriers. They can make it costly or difficult to export to a particular market. Exporters might experience them as 'red tape', 'roadblocks' or 'costs of doing business'.

They can affect all forms of goods and services exports – from food and manufactured products, through to digital services. Example barriers include:

- administrative procedures
- quantity restrictions (such as quotas)
- licensing requirements
- data storage requirements
- privacy requirements
- board director requirements
- procurement rules
- price controls
- subsidies
- product labelling requirements
- phytosanitary or technical regulations and standards.

2. Food and primary goods attract the largest number for non-tariff barriers. This is partly due to unjustified food safety requirements, phyto-sanitary rules to prevent pests and diseases being imported and countries wanting to have a food and agriculture industry. As 75% of New Zealand's goods exports are food and primary products (wood) the effect of non-tariff barriers on New Zealand is compounded.

3. Non-tariff barriers also exist in the technology and services sectors and manufacturing. New Zealand exporters may see these as a cost of doing business rather than a barrier that could be challenged at a government to government level. The government is working with these industry sectors to better identify these trade barriers.
4. As the agency that works across many of New Zealand's primary sectors, the Ministry for Primary Industries receives a large number of enquiries relating to exports of agri-food and related products. Exporting is consistently one of the 'top 5' most common enquiries into MPI's General Enquiries line, with approximately 300 calls per month. In addition, MPI's newly established Exporter Regulatory Advice Service (Email: [exporterhelp@mpi.govt.nz](mailto:exporterhelp@mpi.govt.nz) Tel: 0800 00 83 33) deals with a further 100 enquiries per month from export businesses seeking advice on a range of exporting issues. MPI identifies and prioritises working on non-tariff barriers to trade, and works with industry and across Government to reduce the number, cost or complexity of requirements and negotiate preferential market access for New Zealand products.
5. Non primary sector industries generate a smaller number of inquiries, which in part reflects fewer barriers associated with these sectors. However, it is also a reflection of the nature of the barriers, which are often different .and not always recognised as barriers. Examples include rules around data storage or regulations to set up an educational institution that may be more onerous than for local institutions

### What is the scale of the issue?

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6. The Institute for Economic Research in November 2016 reported on the cost of non- tariff measures (NTMs) in the Asia- Pacific region. Not all NTM's are bad. Some are put in place for legitimate public policy reasons, such as consumer safety or for protecting human, animal and plant health NTBs are a subset of NTMs that distort trade, either intentionally, due to regulations being put in place to protect local industry, or unintentionally, due to differences between countries in what they regulate for and how they regulate. These differences impact trade because they add costs for exporters The report found that the total number of NTMs within APEC has increased by 74% from 814 in 2004 to 1,414 in 2015.
7. And the overall cost of NTMs on New Zealand's primary sector exports to APEC economies is US\$4.7 billion (based on 2011 trade). For our overall export portfolio, the cost is US\$5.9 billion.

## What is being done to address the issue?

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8. The Government's approach has been to work with industry to identify the issues that are frustrating them, and raise awareness of NTBs through industry conferences and meetings.
9. In addition, work has been done to raise awareness of the importance of NTBs across government agencies. This includes the development of services to assist exporters facing barriers and the alignment of these services.
10. The following government agencies have been assigned a "champion" role for different sector groups:
  - Manufacturing – The Ministry of Business Innovation and Employment (MBIE)
  - Services and Investment – The Ministry of Foreign Affairs and Trade (MFAT)
  - Education Services – Education New Zealand (ENZ)
  - Food and Primary- The Ministry for Primary Industries (MPI)

## New trade barriers clearinghouse ([www.tradebarriers.govt.nz](http://www.tradebarriers.govt.nz))

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11. A new [tradebarriers.govt.nz](http://www.tradebarriers.govt.nz) clearing house has been developed to remove the guesswork for companies that don't necessarily know which agency to turn to for help.
12. All Inquiries to the website will be logged and assigned to the appropriate agency, which will respond to the exporter.
13. The performance criteria to handle inquiries will be an acknowledgement within 2 working days and getting back to the customer with next steps within 6 weeks.

## Case studies

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### Australia keeps playing field level for New Zealand wine

***Throughout 2016, the New Zealand Government worked with domestic winemakers to protect their eligibility for an Australian wine tax rebate – saving New Zealand wine producers tens of millions of dollars each year.***

Australia drinks more than 80m bottles of New Zealand wine each year, making it our

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third largest wine export market. Wine faces a 29 per cent sales tax but Australian producers were entitled to have that rebated, up to A\$500,000 each.

Thanks to the Closer Economic Relations (Free Trade) Agreement with Australia, we successfully argued in 2005 that our wine producers should be eligible for the Australian wine tax rebate and treated on the same basis as Australian wine producers.

More than 200 New Zealand wine companies have been claiming this rebate of up to A\$500,000 each, equating to about A\$25 million each year, since 2005.

New Zealand's entitlement to the 'Wine Equalisation Tax rebate scheme,' helps to ensure that our Syrah's can compete on a level playing field with Australia's Shiraz's.

In 2016 the Australian Government announced it was reviewing the entire scheme. New Zealand wine producers, particularly smaller winegrowers, were concerned that access to the WET might be removed for our wine producers and potentially cost the industry millions.

The Ministry of Foreign Affairs and Trade worked closely with the New Zealand wine industry to put forward the arguments that any proposal to exclude New Zealand suppliers would be unfair and we worked to ensure that the new eligibility criteria did not act as a barrier to New Zealand producers.

The Australian Government agreed with our arguments and will soon pass legislation that continues to maintain New Zealand's access to the Wine Equalisation Tax rebate scheme.

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### **Saudi visa fees reversed**

In October 2016 the government of Saudi Arabia implemented a new law which increased fees for a single entry visas tenfold, from NZ\$74 to NZ\$743. This imposed a considerable cost on New Zealand companies doing business with Saudi Arabia.

The New Zealand Embassy in Riyadh made representations to the Saudi government based on the fact that New Zealand offers visa free entry to Saudi businesspeople and visitors while the new fees could negatively affect the developing commercial relationship with New Zealand.

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The Saudi Ministry of Foreign Affairs considered a written submission from New Zealand and directed that New Zealand be exempted from the new visa fees. As of March 2017, the fees have reverted to around NZ\$96. The move has been well received by New Zealand businesses and the New Zealand-Middle East Business Council.

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### **Qualifications recognition should attract students to NZ Universities**

The New Zealand Qualifications Authority worked with the Malaysian Qualifications Agency to get New Zealand qualifications recognised for employment purposes in the Malaysian public service. Bachelor's Degrees were successfully recognised in August 2012, followed by Master's and Doctoral Degrees in November 2015.

This supports the ability of New Zealand tertiary education providers to attract Malaysian students by reducing the barriers to employment for students returning to Malaysia after graduating.

This will also make NZ eligible for Scholarships from the Malaysian Public Service that it had been previously excluded from.

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### **Barriers to trade faced by Tegel Foods**

New Zealand poultry producer, Tegel Foods, is focused on growing international sales particularly of its higher value processed products such as free range crumbed tenders, and crunchy burgers. However, like other exporters, Tegel has faced barriers to trade with other countries.

Up until 2016 Australian regulations allowed only cooked chicken into the country. This limited New Zealand's trade opportunity to less than 10% of the Australian market. The Ministry for Primary Industries worked with the New Zealand poultry industry to satisfy Australian authorities that our rigorous biosecurity controls fully met Australian standards. The subsequent removal of this barrier is expected to significantly boost exports of New Zealand chicken to Australia, which in 2016 generated over NZ\$70 million.

Separate to this, in early 2017 Tegel was preparing a trial shipment for a customer in the Philippines when the company learnt that the Philippines Government had introduced a temporary ban on poultry imports. The ban followed isolated outbreaks of avian flu in Europe and North Asia but exempted product from US, Canada and Australia. Tegel contacted the New Zealand Government for assistance.

The New Zealand Embassy in Manila had already contacted the Philippines authorities and been given an assurance that product from New Zealand would also be exempt. The quick actions of the New Zealand and Philippines Governments meant that the Tegel shipment was not delayed.

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## Video case studies

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Visit the Ministry of Foreign Affairs and Trade website [here](#) to learn how others have worked through issues to become successful and grow their business.

