

Trade and the New Zealand economy: New Zealand's tariffs

Summary¹

- New Zealand has one of the lowest tariff profiles in the developed world. Very few sectors of the New Zealand economy are offered protection by tariffs.
- New Zealand's tariff levels are low by world standards with a simple average Most Favoured Nation (MFN)² tariff rate across all goods of 3.5 per cent.
- Its mean rates are lower than this – across all manufactured goods, mean tariff rates are less than 1%.³
- Approximately 95 per cent of imports (by value) enter New Zealand free of duty.
- Of those imports that attract tariffs, most face low rates of 5–7 per cent. New Zealand's highest tariffs are, with few exceptions, confined to carpet, clothing and footwear which attract rates of up to 19 per cent. Some textile products have rates of up to 12.5 per cent and automotive components have rates as high as 11.5 per cent.
- In September 2003, Cabinet agreed to recommence unilateral tariff reduction in New Zealand, after having 'frozen' tariffs since 1997. The first stage of the process was converting all specific tariffs to *ad valorem* tariffs on 1 July 2005.
- The following table summarises the planned reductions:

Current tariff	July 2006	July 2007	July 2008	July 2009
17-19%	17%	15%	12.5%	10%
10-12.5%	10%	7.5%	5%	5%
5-7.5%	5-7.5%	5-7.5%	5%	5%

- The reduction of tariffs is expected to deliver productivity and welfare gains, although it is recognised that there will be some adjustment costs in certain sectors (essentially the textiles, clothing and footwear sectors) and regions (for example in the lower North Island).

¹ Much of this information is taken from MED's Post-2005 Tariff Review website.

² MFN rates apply to all countries exporting to New Zealand apart from those who have preferential access under FTAs/CEPs and those that have concessions, such as the Least Developed Countries, who have had duty free access to New Zealand since July 2001.

³ Calculated by dividing total tariff revenue by the total value of imports.

- A further tariff review is scheduled for 2006 to determine possible unilateral tariff reductions after July 2009. MED's Regulatory and Competition Branch will coordinate this Review.

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