



COVERSHEET

Minister	Hon Dr Duncan Webb	Portfolio	Commerce and Consumer Affairs
Title of Cabinet papers	Tariff Act 1988: Updating the list of countries eligible for the Generalised System of Preference; and Tariffs: Approval of Order in Council to update the list of countries eligible for the Generalised System of Preference	Date to be published	15 September 2023

List of documents that have been proactively released

Date	Title	Author
April 2023	Tariff Act 1988: Updating the list of countries eligible for the Generalised System of Preference	Office of the Minister of Commerce and Consumer Affairs
5 April 2023	Tariff Act 1988: Updating the List of Countries Eligible for the Generalised System of Preference DEV-23-MIN-0053 Minute	Cabinet Office
June 2023	Tariffs: Approval of Order in Council to update the list of countries eligible for the Generalised System of Preference	Office of the Minister of Commerce and Consumer Affairs
8 June 2023	Tariffs: Approval of Order in Council to update the list of countries eligible for the Generalised System of Preference LEG-23-MIN-0091 Minute	Cabinet Office

Information redacted

YES

Any information redacted in this document is redacted in accordance with MBIE's policy on Proactive Release and is labelled with the reason for redaction. This may include information that would be redacted if this information was requested under Official Information Act 1982. Where this is the case, the reasons for withholding information are listed below. Where information has been withheld, no public interest has been identified that would outweigh the reasons for withholding it.

Some information has been withheld for the reasons of international relations, national defence and security and free and frank opinions.

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Office of the Minister of Commerce and Consumer Affairs

Cabinet Economic Development Committee

Tariff Act 1988: Updating the list of countries eligible for the Generalised System of Preference

Proposal

- 1 This paper seeks agreement to update the list of countries eligible to receive preferential tariff rates under New Zealand's Generalised System of Preference (GSP). Decision is sought on the treatment of **international relations** **National security or defence** and the Islamic Republic of Iran.

Relation to government priorities

- 2 Updating the list of countries eligible for the GSP is a priority in relation to the government's effort to assist Ukraine where it can. Ukraine meets the country eligibility criteria for preferential tariff rates under the GSP. Ukraine has specifically requested that New Zealand take this action.

Background to New Zealand's Generalised System of Preference

International context of the GSP

- 3 New Zealand instituted the GSP in 1971 through the United Nations Conference on Trade and Development (UNCTAD) to promote economic growth in developing countries. It allows products originating in listed developing countries preferential access to the markets of developed countries through tariff reductions.
- 4 The voluntary nature of GSP schemes mean that the policy and operation of each scheme differs from one developed country to another. Countries decide the degree of preferential treatment provided, the precise coverage of goods, and the basis for graduation from the scheme. New Zealand's GSP is one of 15 schemes in the world.

New Zealand's GSP scheme

- 5 New Zealand's normal tariff rates are comparatively low, set at 5%, 10%, or no tariff depending on the type and origin of the good being imported. Our GSP unilaterally offers two categories of preferential tariff rates to certain developing countries (refer CAB Min (01) 17/1A):
 - 5.1 **least** developed countries receive a rate of no tariff; and
 - 5.2 **less** developed countries receive a rate of 80% of the normal tariff rate.

- 6 Coverage of the GSP does not extend to all imported goods. All imports from 'least' developed countries are eligible. For imports from 'less' developed countries, there are the following exceptions: apparel, footwear, glass, commercial shipbuilding, automotive parts and accessories.
- 7 The New Zealand Customs Service (Customs) estimates that in 2022, the majority of goods imported from GSP eligible countries entered New Zealand tariff free through the more preferential avenues offered in our Free Trade Agreements (FTAs), and as a consequence of tariff concessions (a tariff waiver). Of the \$30.8 **billion** imported from 'less' developed countries, only \$86.9 **million** (0.3%) claimed the preferential tariffs on offer under our GSP, while \$25.9 billion (84.1%) were eligible for FTA preferences and \$4.8 billion (15.6%) were eligible for concessions. For 'least' developed countries, almost all of the \$410 million of imported goods in 2022 did not incur a tariff.
- 8 The list of countries eligible for the GSP was last amended in 2005 [ERD Min (04) 105 refers] and requires updating to ensure the GSP continues to meet its policy objective of assisting the economic growth of developing countries. Many other countries have recently updated their GSP schemes including Australia, Canada, the European Union, and the United States of America.

Eligibility criteria for New Zealand's GSP

- 9 Countries can be added or removed from the list through Orders in Council made under the powers in s 7A(1) of the Tariff Act 1988. The Act affords Cabinet discretion in how it defines 'least' and 'less' developed countries.
- 10 Cabinet has previously agreed eligibility criteria that is transparent and based on quantifiable evidence provided by an independent organisation:
 - 10.1 **least** developed countries: on the United Nations list of least developed countries.
 - 10.2 **less** developed countries:
 - 10.2.1 the Gross National Income (GNI) per capita is less than 70% of New Zealand's GNI per capita;
 - 10.2.2 offering economic assistance is consistent with New Zealand's international obligations; and
 - 10.2.3 they are not a member of the European Union (and do not benefit from the trade and economic assistance that EU membership affords).
- 11 New Zealand's GSP offering also needs to be consistent with our international obligations. For example, countries subject to United Nations sanctions should not normally benefit from New Zealand's preferential tariff rates.
- 12 The discretion within the Tariff Act allows for Cabinet to take into account New Zealand's wider foreign policy settings, as assessed by the Minister of Foreign Affairs.

Countries where New Zealand's wider foreign policy settings are relevant

13 International relations, National security or defence
[Redacted]

14 The Islamic Republic of Iran currently benefits from the GSP as a 'less' developed country. Current GNI data shows this country continues to meet the income eligibility criteria to be considered a 'less' developed country.
International relations, National security or defence
[Redacted]
On this basis, the Islamic Republic of Iran has been removed from the recommended updated list at **Annex Two**.

15 International relations, National security or defence
[Redacted]

Recommended update to the lists of 'least' and 'less' developed countries

16 Currently, 91 'less' developed countries, and 50 'least' developed countries receive GSP preference.

17 The eligibility criteria at paragraphs 9 – 11 and an assessment of New Zealand's wider foreign policy settings, produce the updated GSP country list at **Annex Two**.

18 The recommended updates are:

18.1 24 countries currently not in the GSP to become 'less' developed (of which Ukraine is one);

18.2 International relations, National security or defence
[Redacted]

- 18.3 one country (the Islamic Republic of Iran) currently 'less' developed be removed from the GSP on foreign policy grounds;
 - 18.4 three countries currently 'less' developed graduate out of the GSP on the basis of EU membership;
 - 18.5 five countries currently 'least' developed become 'less' developed; and
 - 18.6 one country currently not in the GSP becomes 'least' developed.
- 19 Countries affected by the update, International relations, National security or defence are unlikely to react negatively to the changes because the level of affected exports is insignificant, or there are better terms offered through existing FTAs or concessions. There are negligible economic implications from the update for New Zealand businesses and consumers. An analysis of the specific financial and bilateral relationship implications of the recommended changes is at **Annex One**.

Financial Implications

- 20 Based on current trade profiles, Customs estimate the net financial implications of the update will reduce duty collected by approximately \$120,000 per annum with a total impact of \$480,000 over the forecast period.
- 21 The financial implications of the update are negligible (0.07%) in the context of total government tariff collection pre-pandemic of approximately \$180 million. The majority of New Zealand's imports enter New Zealand tariff free under our FTAs or under tariff waivers under existing concessions.

Legislative Implications

- 22 An Order in Council under section 7A(1) of the Tariff Act 1988 is required.

Impact Analysis

- 23 The Treasury's Regulatory Impact Analysis team has determined that this proposal is exempt from the requirement to provide a Regulatory Impact Statement on the grounds that it has no or only minor impacts on businesses, individuals, and not-for-profit entities.

Population Implications

- 24 There are no population impacts arising from the proposals.

Human Rights

- 25 The proposals do not give rise to any inconsistencies with the Human Rights Act 1993 or the New Zealand Bill of Rights Act 1990.

Consultation

- 26 The following departments have been consulted in the preparation of this paper and concur with its recommendations: MFAT, Customs, and the Treasury. The Department of Prime Minister and Cabinet, the Parliamentary Counsel Office, and the Ministry of Justice have also been consulted.
- 27 MFAT has provided foreign policy advice on International relations, National security or defence and the Islamic Republic of Iran.
- 28 Consultation with industry was not required as the updates will have minimal impact on most New Zealand businesses and consumers as trade with GSP beneficiary countries with which New Zealand does not have an FTA is relatively small.

Communications

- 29 MFAT will manage the relationships with countries that are impacted by the update. A notice will be made on the Customs website once notification of the Order has been made in the Gazette.

Proactive Release

- 30 I do not intend to proactively release this paper and instead determine it be released once notification of an Order is made in the Gazette, as the proposals impact duty payable for certain countries, and in order to allow MFAT time to manage bilateral relationships.
- 31 Release of this paper and associated Cabinet material will be assessed on the advice of the Minister of Foreign Affairs where content relates to foreign policy.

Recommendations

The Minister of Commerce and Consumer Affairs recommends that the Committee:

- 1 **note** that New Zealand's long-standing Generalised System of Preference (GSP) unilaterally offers two categories of preferential tariff rates to listed 'less' and 'least' developed countries for the purposes of economic assistance;
- 2 **note** the list of countries eligible for the GSP was last amended in 2005 [ERD Min (04) 105] and requires updating to ensure the GSP continues to meet its policy objective of assisting the economic growth of developing countries;
- 3 **note** that Ukraine meets the eligibility criteria to be classed as a 'less' developed country for preferential tariff rates under the GSP;
- 4 **note** that Cabinet has discretion with the GSP to take into account New Zealand's wider foreign policy settings as assessed by the Minister of Foreign Affairs;

5 International relations, National security or defence
[Redacted]

6 **note** that the Islamic Republic of Iran currently benefits from the GSP as a 'less' developed country, and it continues to meet the income eligibility criteria to be considered a 'less' developed country;

Recommended update to the lists of 'least' and 'less' developed countries

7 International relations, National security or defence
[Redacted]

8 **agree** that an Order in Council be made under section 7A(1) of the Tariff Act 1988 that would have the effect of:

8.1 adding the following countries currently not in the GSP to the list of 'less' developed countries: Ukraine, Kazakhstan, Nauru, Serbia, Tajikistan, Uzbekistan, Kosovo, South Africa, Armenia, Azerbaijan, The Bahamas, Barbados, Georgia, Kyrgyz Republic, Moldova, Marshall Islands, Montenegro, Aruba, Bahrain, Curacao, Puerto Rico, Turkmenistan, Brunei Darussalam, and Sint Maarten;

8.2 removing the following country from the list of 'less' developed countries: the Islamic Republic of Iran, International relations, National security or defence
[Redacted]

8.3 removing the following countries from the list of 'less' developed countries due to their European Union membership: Bulgaria, Croatia, and Romania;

8.4 removing the following countries from the list of 'least' developed countries and adding them to the list of 'less' developed countries: Cabo Verde, Maldives, Vanuatu, Samoa, and Equatorial Guinea;

8.5 adding the following country currently not in the GSP to the list of 'least' developed countries: South Sudan;

Financial and legislative implications

9 **note** the following changes as a result of the decision in recommendation 8 above, with a corresponding impact on the operating balance and net debt over the forecast period:

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	\$m – increase(decrease)				
	2022/23	2023/24	2024/25	2025/26	2026/27 & Outyears
Vote Customs Minister for Customs					
Schedule of non- Departmental Revenue: Tariff revenue foregone	-	(0.120)	(0.120)	(0.120)	(0.120)
Total Operating	-	0.120	0.120	0.120	0.120

- 10 **agree** that the operating balance and net debt impact in recommendation 9 above be charged against the between-Budget contingency established as part of Budget 2022;
- 11 **authorise** the Minister of Commerce and Consumer Affairs to issue drafting instructions to the Parliamentary Counsel Office that give effect to recommendation 8 above.

Authorised for lodgement

Hon Dr Duncan Webb

Minister of Commerce and Consumer Affairs

Annex One: Detailed assessment of financial and diplomatic implications

Less developed countries

32 Currently, there are 91 'less' developed countries that are offered GSP preference. Of the \$30.8 billion of imported goods from these countries, only \$86.9 million worth of goods were imported under the 'less' developed country offering. New Zealand collected \$64.9 million (against a potential duty take of \$778.2 million) in duties from these goods, an effective tariff rate of 0.21%. The majority of imports from 'less' developed countries have access to alternative FTA preferential rates (\$25.9 billion) or other concessions available (\$4.8 billion).

Currently not in GSP to become 'less' developed

33 The changes mean the addition of 24 countries to the list of 'less' developed countries. These are: Ukraine, Kazakhstan, Nauru, Serbia, Tajikistan, Uzbekistan, Kosovo, South Africa, Armenia, Azerbaijan, The Bahamas, Barbados, Georgia, Kyrgyz Republic, Moldova, Marshall Islands, Montenegro, Aruba, Bahrain, Curacao, Puerto Rico, Turkmenistan, Brunei Darussalam, and Sint Maarten.

34 These countries have a total imported goods value of \$291 million, and paid duties of \$2.3 million. The foregone duties payable based on these imports would be at most \$120,000.

Currently 'less' developed to graduate out of the GSP

35 Three 'less' developed countries graduate from the scheme as they have become members of the European Union. These are: Bulgaria, Croatia, and Romania.

36 These countries have a total imported goods value of \$99 million and pay \$1 million in duties. There are no financial implications resulting from graduating these countries as all their exports to New Zealand will enter tariff free once the EU NZ FTA is ratified. Previous graduation of countries has not resulted in any problems or complaints, and the Ministry of Foreign Affairs and Trade can liaise with affected countries to manage any bilateral relationship issues.

Free and frank opinions

Currently 'least' developed to become 'less' developed

37 Five countries transfer from the 'least' developed country list and are added to the 'less' developed country list. The countries are no longer on the United Nations list of least developed countries, however they satisfy the eligibility criteria to be treated as a 'less' developed country. These are: Cabo Verde, Maldives, Vanuatu, Samoa, and Equatorial Guinea.

38 Cabo Verde, Maldives, and Equatorial Guinea have a total imported goods value of \$900,000, and as 'less' developed countries would be required to pay less than \$6,000 in duties. There are no financial implications resulting from

Vanuatu and Samoa graduating to 'less' developed countries as they have access to FTA rates of no duty.

- 39 Transferring Samoa and Vanuatu to the 'less' developed country list has little impact, as all Pacific countries benefit from tariff free access under the South Pacific Regional Trade and Economic Co-operation Agreement (SPARTECA). Samoa and Vanuatu also benefit from more liberal Rules of Origin provisions under the Pacific Agreement on Closer Economic Relations Plus (PACER Plus).

Least developed countries

- 40 The current foregone tariff revenue from the 'least' developed country GSP offering of 'no duty' is also small, due to the low volume and value of goods imported from those countries, concessions otherwise available, and the availability of FTA preferential rates for those countries with whom New Zealand has a higher trade profile (members of ASEAN and the Pacific Island Counties).
- 41 Currently, there are 50 'least' developed countries that are offered GSP preference. Of the \$410 million in imported goods from these countries, New Zealand collected \$3.2 million in duties despite the zero tariff, indicating that the imports did not meet the GSP rules of origin. \$265 million in imported goods qualify for concessions or FTA preferential rates that have more favourable rules of origin.

Currently not in the GSP to become 'least' developed

- 42 South Sudan is on the list of 'least' developed countries as it now appears on the UN list of least developed countries. It has an import value of less than \$500, and the financial implications of including this country are negligible.

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Annex Two: Updated list of countries eligible for the Generalised System of Preference

Table Key	
Not in scheme	Not in scheme
Less Developed Country	LDC
Least Developed Country	LLDC

#	Country	Current Status	Updated Status	Note
1	Albania	LDC	LDC	
2	Argentina	LDC	LDC	
3	Antigua and Barbuda	LDC	LDC	
4	Bosnia and Herzegovina	LDC	LDC	
5	Belize	LDC	LDC	
6	Bolivia	LDC	LDC	
7	Brazil	LDC	LDC	
8	Botswana	LDC	LDC	
9	Chile	LDC	LDC	
10	China	LDC	LDC	
11	Cote d'Ivoire	LDC	LDC	
12	Cameroon	LDC	LDC	
13	Congo, Rep.	LDC	LDC	
14	Colombia	LDC	LDC	
15	Costa Rica	LDC	LDC	
16	Dominica	LDC	LDC	
17	Dominican Republic	LDC	LDC	
18	Algeria	LDC	LDC	
19	Ecuador	LDC	LDC	
20	Egypt, Arab Rep.	LDC	LDC	
21	Fiji	LDC	LDC	
22	Micronesia, Fed. Sts.	LDC	LDC	
23	Gabon	LDC	LDC	
24	Ghana	LDC	LDC	
25	Grenada	LDC	LDC	
26	Guatemala	LDC	LDC	
27	Guyana	LDC	LDC	
28	Honduras	LDC	LDC	
29	Indonesia	LDC	LDC	
30	India	LDC	LDC	
31	Jamaica	LDC	LDC	
32	Jordan	LDC	LDC	
33	Kenya	LDC	LDC	
34	St. Kitts and Nevis	LDC	LDC	
35	St. Lucia	LDC	LDC	
36	Sri Lanka	LDC	LDC	
37	Morocco	LDC	LDC	
38	Mexico	LDC	LDC	
39	North Macedonia	LDC	LDC	
40	Mongolia	LDC	LDC	
41	Mauritius	LDC	LDC	
42	Malaysia	LDC	LDC	
43	Namibia	LDC	LDC	
44	Nigeria	LDC	LDC	
45	Nicaragua	LDC	LDC	
46	Pakistan	LDC	LDC	
47	Panama	LDC	LDC	

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48	Peru	LDC	LDC	
49	Philippines	LDC	LDC	
50	Papua New Guinea	LDC	LDC	
51	Paraguay	LDC	LDC	
52	El Salvador	LDC	LDC	
53	Suriname	LDC	LDC	
54	Eswatini	LDC	LDC	
55	Seychelles	LDC	LDC	
56	Thailand	LDC	LDC	
57	Trinidad and Tobago	LDC	LDC	
58	Tunisia	LDC	LDC	
59	Turkiye	LDC	LDC	
60	Uruguay	LDC	LDC	
61	St. Vincent and the Grenadines	LDC	LDC	
62	Vietnam	LDC	LDC	
63	Zimbabwe	LDC	LDC	
64	Cuba	LDC	LDC	
65	Oman	LDC	LDC	
66	Palau	LDC	LDC	
67	Saudi Arabia	LDC	LDC	
68	Syrian Arab Republic	LDC	LDC	
69	Tonga	LDC	LDC	
70	Venezuela, RB	LDC	LDC	
71	Gibraltar	LDC	LDC	
72	British Virgin Islands	LDC	LDC	
73	Norfolk Island	LDC	LDC	
74	Anguilla	LDC	LDC	
75	British Indian Ocean Territory	LDC	LDC	
76	Christmas Island	LDC	LDC	
77	Cocos (Keeling) Islands	LDC	LDC	
78	Falkland Islands (Malvinas)	LDC	LDC	
79	Montserrat	LDC	LDC	
80	Pitcairn Islands	LDC	LDC	
81	St Helena	LDC	LDC	
82	US Minor Outlying Islands	LDC	LDC	
83	Wallis and Futuna Islands	LDC	LDC	
84	Iraq	LDC	LDC	
85	Lebanon	LDC	LDC	
86	Libya	LDC	LDC	
87	Turks and Caicos Islands	LDC	LDC	
88	Iran, Islamic Rep.	LDC	Not in scheme	Foreign policy
89	Kazakhstan	Not in scheme	LDC	Meets criteria
90	Nauru	Not in scheme	LDC	Meets criteria
91	Serbia	Not in scheme	LDC	Meets criteria
92	Ukraine	Not in scheme	LDC	Meets criteria
93	Tajikistan	Not in scheme	LDC	Meets criteria
94	Uzbekistan	Not in scheme	LDC	Meets criteria
95	Kosovo	Not in scheme	LDC	Meets criteria
96	South Africa	Not in scheme	LDC	Meets criteria
97	Armenia	Not in scheme	LDC	Meets criteria
98	Azerbaijan	Not in scheme	LDC	Meets criteria
99	Bahamas, The	Not in scheme	LDC	Meets criteria
100	Barbados	Not in scheme	LDC	Meets criteria
101	Georgia	Not in scheme	LDC	Meets criteria
102	Kyrgyz Republic	Not in scheme	LDC	Meets criteria
103	Moldova	Not in scheme	LDC	Meets criteria
104	Marshall Islands	Not in scheme	LDC	Meets criteria
105	Montenegro	Not in scheme	LDC	Meets criteria

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106	Aruba	Not in scheme	LDC	Meets criteria
107	Bahrain	Not in scheme	LDC	Meets criteria
108	Curacao	Not in scheme	LDC	Meets criteria
109	Puerto Rico	Not in scheme	LDC	Meets criteria
110	Turkmenistan	Not in scheme	LDC	Meets criteria
111	Brunei Darussalam	Not in scheme	LDC	Meets criteria
112	Sint Maarten (Dutch part)	Not in scheme	LDC	Meets criteria
113	Cabo Verde	LLDC	LDC	Not on UN list
114	Maldives	LLDC	LDC	Not on UN list
115	Vanuatu	LLDC	LDC	Not on UN list
116	Samoa	LLDC	LDC	Not on UN list
117	Equatorial Guinea	LLDC	LDC	Not on UN list
118	Bulgaria	LDC	Not in scheme	EU member
119	Croatia	LDC	Not in scheme	EU member
120	Romania	LDC	Not in scheme	EU member
121	Afghanistan	LLDC	LLDC	
122	Angola	LLDC	LLDC	
123	Bangladesh	LLDC	LLDC	
124	Benin	LLDC	LLDC	
125	Bhutan	LLDC	LLDC	
126	Burkina Faso	LLDC	LLDC	
127	Burundi	LLDC	LLDC	
128	Cambodia	LLDC	LLDC	
129	Chad	LLDC	LLDC	
130	Comoros	LLDC	LLDC	
131	Djibouti	LLDC	LLDC	
132	Ethiopia	LLDC	LLDC	
133	Gambia	LLDC	LLDC	
134	Guinea	LLDC	LLDC	
135	Haiti	LLDC	LLDC	
136	Kiribati	LLDC	LLDC	
137	Lao People's Democratic Republic	LLDC	LLDC	
138	Lesotho	LLDC	LLDC	
139	Liberia	LLDC	LLDC	
140	Madagascar	LLDC	LLDC	
141	Malawi	LLDC	LLDC	
142	Mauritania	LLDC	LLDC	
143	Mozambique	LLDC	LLDC	
144	Myanmar	LLDC	LLDC	
145	Nepal	LLDC	LLDC	
146	Niger	LLDC	LLDC	
147	Rwanda	LLDC	LLDC	
148	Sao Tome and Principe	LLDC	LLDC	
149	Senegal	LLDC	LLDC	
150	Sierra Leone	LLDC	LLDC	
151	Solomon Islands	LLDC	LLDC	
152	Timor-Leste	LLDC	LLDC	
153	Togo	LLDC	LLDC	
154	Tuvalu	LLDC	LLDC	
155	Uganda	LLDC	LLDC	
156	United Republic of Tanzania	LLDC	LLDC	
157	Zambia	LLDC	LLDC	
158	Central African Republic	LLDC	LLDC	
159	Yemen	LLDC	LLDC	
160	Democratic Republic of the Congo	LLDC	LLDC	
161	Eritrea	LLDC	LLDC	

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162	Guinea-Bissau	LLDC	LLDC	
163	Mali	LLDC	LLDC	
164	Somalia	LLDC	LLDC	
165	Sudan	LLDC	LLDC	
166	South Sudan	Not in scheme	LLDC	New on UN list