



NEW ZEALAND
INVESTMENT CLIMATE STATEMENT
2015

Table of Contents

Executive Summary

1. Openness To, and Restrictions Upon, Foreign Investment

- 1.1. Attitude Toward FDI*
- 1.2. Other Investment Policy Reviews*
- 1.3. Laws/Regulations of FDI*
- 1.4. Industrial Strategy*
- 1.5. Limits on Foreign Control*
- 1.6. Privatization Program*
- 1.7. Screening of FDI*
- 1.8. Competition Law*
- 1.9. Investment Trends*
 - 1.9.1. Tables 1 and if applicable, Table 1B*

2. Conversion and Transfer Policies

- 2.1. Foreign Exchange*
 - 2.1.1. Remittance Policies*

3. Expropriation and Compensation

4. Dispute Settlement

- 4.1. Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts*
- 4.2. Bankruptcy*
- 4.3. Investment Disputes*
- 4.4. International Arbitration*
 - 4.4.1. ICSID Convention and New York Convention*
- 4.5. Duration of Dispute Resolution*

5. Performance Requirements and Investment Incentives

- 5.1. WTO/TRIMS*
- 5.2. Investment Incentives*
 - 5.2.1. Research and Development*
- 5.3. 5.3 Performance Requirements*
- 5.4. Data Storage*

6. Right to Private Ownership and Establishment

7. Protection of Property Rights

7.1. Real Property

7.2. Intellectual Property Rights

8. Transparency of the Regulatory System

9. Efficient Capital Markets and Portfolio Investment

9.1. Money and Banking System, Hostile Takeovers

10. Competition from State-Owned Enterprises

10.1. OECD Guidelines on Corporate Governance of SOEs

10.2. Sovereign Wealth Funds

11. Corporate Social Responsibility

11.1. OECD Guidelines for Multinational Enterprises

12. Political Violence

13. Corruption

13.1. UN Anticorruption Convention, OECD Convention on Combatting Bribery

14. Bilateral Investment Agreements

14.1. Bilateral Taxation Treaties

15. OPIC and Other Investment Insurance Programs

16. Labor

17. Foreign Trade Zones/Free Ports/Trade Facilitation

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

19. Contact Point at Post for Public Inquiries

Executive Summary

New Zealand has an open, transparent economy where businesses and investors can generally make commercial transactions with ease. Major political parties are committed to an open trading regime and sound rule of law practices and the country enjoys minimal corruption. Changes to monetary policy, taxation, and other related regulations are usually well-signaled by the Government. Since the financial crisis, the Government has made changes to the financial system to shore up investor confidence. Significant legislative changes include the establishment of a regulatory body, the Financial Markets Authority under the Financial Markets Authority Act 2011, implementation of the Financial Markets Conduct Act 2013, the Financial Reporting Act 2013, and the Patents Act 2013, which makes the criteria for granting a patent stricter.

1. Openness To, and Restrictions Upon, Foreign Investment

Attitude toward Foreign Direct Investment

Foreign investment in New Zealand is generally welcomed and encouraged without discrimination. With minimal corruption, New Zealand has an open, transparent economy, where businesses and investors can generally make commercial transactions with ease. With few exceptions, foreigners may invest in any sector of the economy, and there are generally no limits on foreign ownership or control. New Zealand has a rapidly expanding network of bilateral investment treaties and free trade agreements with investment components to facilitate increased investment. New Zealand also has a well-developed legal framework and regulatory system, and the judicial system generally upholds the sanctity of contracts. There are no restrictions on the inflow or outflow of capital, and expropriation is not an issue. Investment disputes are rare. Private entities generally have the right to freely establish business enterprises, and property rights (both real property and intellectual property) are generally well-protected. New Zealand has a sound financial system, and has made changes to its financial system to shore up investor confidence in the wake of the global financial crisis. Both inbound and outbound investment continues to increase. In international indices with investment related aspects, New Zealand consistently receives high scores.

Other Investment Policy Reviews

Not applicable.

Laws/Regulations of Foreign Direct Investment

New Zealand's regulations governing foreign investment are liberal by international standards. Overseas investments in New Zealand assets are screened only if they are defined as sensitive within the Overseas Investment Act 2005. The Overseas Investment Office (OIO), a dedicated unit located within Land Information New Zealand, administers the Act. The Overseas Investment Regulations 2005 set out the criteria for assessing applications and whether the investment will benefit New Zealand. Further details on the screening process are described below under the heading, Screening of FDI.

Overseas investments that do not require such approval need to adhere to the normal legislative business framework for New Zealand-based companies. This includes the Companies Act 1993, the Securities Act 1978, the Financial Markets Authority Act 2011, the Financial Markets Conduct Act 2013, the Takeovers Act 1993, the Commerce Act 1986, and the Financial Reporting Act 2013.

The Companies Amendment Act 2014 and the Limited Partnerships Amendment Act 2014 introduce new requirements for companies registering in New Zealand, including the requirement to have a director or general partner who lives in New Zealand, or is a director of a company in a prescribed enforcement country. The Acts introduced offences for serious misconduct by directors that results in serious losses to the company or its creditors, and aligns the company reconstruction provisions in the Companies Act with the Takeovers Code.

There are no restrictions on the movement of funds into or out of New Zealand, or on repatriation of profits. No additional performance measures are imposed on foreign-owned enterprises.

For further information, go to www.business.govt.nz, which is operated by the Ministry of Business Innovation and Employment.

In addition, www.nzte.govt.nz, which is operated by New Zealand Trade and Enterprise, provides information and links for overseas investors wanting to invest in New Zealand.

Industrial Promotion

In the Media and Entertainment sector, the New Zealand Government announced changes to the structure and the level of support for international and New Zealand film and television productions in December 2013. Key technical changes that became effective from April 1, 2014 included combining the Large Budget Screen Production Grant and Screen Production Incentive Fund into a new grant called the New Zealand Screen Production Grant; increasing the grant rebates from 15 per cent for international productions to 20 per cent, with an additional 5 percent available for productions that meet a significant economic benefits points test; introducing a single 40 per cent grant for New Zealand film and television productions that meet the significant New Zealand content points test; and allowing for New Zealand productions (between NZD 15 million to NZD 50 million) to receive a grant on the basis that the Crown receives a share of any revenue, for reinvestment in the screen sector.

Limits on Foreign Control

The Government of New Zealand does not discriminate against foreign investors, but has placed separate limitations on foreign ownership of Air New Zealand and Spark New Zealand, formerly Telecom Corporation of New Zealand. The constitution of Spark New Zealand provides that no person shall have a relevant interest in 10 percent or more of the voting shares without the consent of the Minister of Finance and the Spark New Zealand Board, and no person who is not a New Zealand national shall have a relevant interest in more than 49.9 percent of the total voting shares without the written approval of the Minister of Finance.

According to Air New Zealand's constitution, no person who is not a New Zealand national may hold or have an interest in equity securities which confer 10 percent or more of the voting rights without the consent of the Minister of Transport. There must be a maximum of eight directors and a minimum of five directors of Air New Zealand. At least three directors must be ordinarily resident in New Zealand. The majority of the Air New Zealand Board of directors must be New Zealand citizens.

Privatization Program

Not applicable.

Screening of FDI

New Zealand screens foreign investment that falls within certain criteria. Under the auspices of the Overseas Investment Act 2005, New Zealand's Overseas Investment Office (OIO) screens foreign investments that would result in the acquisition of 25 percent or more ownership of, or a controlling interest in "significant business assets" (significant business assets are defined as assets valued at more than NZD100 million (USD76 million). Government approval also is required for purchases of land larger than 5 hectares (12.35 acres) and land in certain sensitive or protected areas, or fishing quota. If the land or fishing quota to be purchased is owned by a company or other entity, approval will be required if the investor will be acquiring 25 percent or more equity or a controlling interest.

For those investments that require screening, the investor must demonstrate the necessary business experience and acumen to manage the investment, demonstrate financial commitment to the investment, be of good character, and not be a person who would be ineligible for a permit under New Zealand immigration law. Any application to purchase land must also satisfy a benefit to New Zealand test, unless the investor intends to live in New Zealand indefinitely. For land purchases, foreigners who do not intend to live in New Zealand indefinitely must provide a management proposal covering any historic, heritage, conservation, or public access matters and any planned economic development. That proposal would generally be made a condition of consent.

Large-scale overseas purchases of farmland have sparked public controversy, and the New Zealand Government sought to create greater ministerial flexibility to respond to economic concerns about foreign investment in "sensitive" assets. A review of the Overseas Investment Act of 2005 was conducted in 2009, concluding in 2010 with the release of the final Regulations and Directive Letter, which the Overseas Investment Office has implemented.

Although the Overseas Investment Act 2005 itself was not changed, the directive established new rules that apply to applications received from 2011 onward. The new implementing rules provide Government ministers with increased power to consider a wider range of issues when assessing foreign investment in sensitive assets, primarily large-scale overseas ownership of farmland and vertically integrated primary production companies. Two additional factors are assessed under the benefit test: an economic interest's factor that allows ministers to consider whether New Zealand's economic interests are adequately "safeguarded and promoted," and a "mitigating" factor that enables ministers to consider whether an overseas investment provides

adequate opportunities for New Zealand oversight or involvement. Besides applying to land such as that adjoining the foreshore or under conservation, the rules now include sensitive land defined as large areas of farmland ten times the average size of any given type of farm. For example, the average dairy farm is 172 hectares according to New Zealand statistics, which means the threshold that triggers the screening is 1,720 hectares. Likewise, the average sheep farm is 443 hectares, so the threshold would be 4,430 hectares.

The Government has also taken measures to cut red tape and reduce application processing time for OIO applications. In 2014 all non-sensitive land applications were processed within 30 days.

The OIO also monitors foreign investments after approval. All consents are granted with reporting conditions, which are generally standard in nature. Investors must report regularly on their compliance with the terms of the consent. It is an offence to intentionally or recklessly make false or misleading statements, or any material omission, in any information provided to the OIO. If the High Court is satisfied that an offense has been committed, the High Court can order the disposal of the investor's New Zealand holdings.

In practice, the government's approval requirements have not been an obstacle for U.S. investors. Between 2004 and 2012 only 30 applications out of 1317 were denied. Those denied, for the most part, intended to purchase land in sensitive areas or for farming purposes, residential subdivision, or accommodation. In 2014, the OIO approved 148 applications, in 2013 there were 117 approvals, and in 2012, there were 113 approvals. No applications have been denied since 2011.

Competition Law

The Commerce Commission reviews transactions for competition-related concerns. Information can be found at www.comcom.govt.nz

Investment Trends

New Zealand's main methods for taxation are the goods and services tax (GST), company tax, and income tax. Following a revision of the tax system in 2010, personal tax now ranges from 10.5 percent to 33 percent. GST is 15 percent. The company tax is 28 percent. For most companies, these changes took effect on April 1, 2011. New Zealand's top tax rate for most portfolio investment entities (PIES) is 28 percent.

There is no capital gains tax, but gains on certain assets, such as the profits on the sale of patent rights, may be considered as income.

As of 2014, New Zealand has agreements on taxation with 39 countries or territories, including the United States, and 11 tax information exchange agreements. A protocol amending the income tax treaty between the United States and New Zealand came into force in 2010, with provisions including: elimination of source-country withholding tax on certain direct dividend payments; elimination of source-country withholding tax on certain interest payments, including interest paid to certain banks and financial enterprises; reduced source-country withholding tax on all royalty payments; a comprehensive limitation on benefits provision; and a comprehensive

provision allowing for full exchange of information between the U.S. and New Zealand revenue authorities.

The Convention on Mutual Administrative Assistance in Tax Matters which New Zealand signed in 2012 went into force on March 1, 2014 for criminal tax matters. Clauses relating to exchange of information matters subsequently became effect from January 1, 2015, for example, providing the process for Inland Revenue to collect tax debts from taxpayers who have moved overseas.

In June 2014, New Zealand signed an intergovernmental agreement (IGA) with the United States to implement Foreign Account Tax Compliance Act (FATCA) obligations, in an effort to reduce compliance costs for New Zealand institutions. Under the agreement, instead of individually sending account information to the IRS, New Zealand financial institutions will instead provide this information to Inland Revenue, who will exchange it with the IRS. Accordingly, New Zealand will also receive information about certain accounts held by New Zealand residents with United States financial institutions.

In June 2014, the Taxation (Annual Rates, Employee Allowances, and Remedial Matters) Bill was passed, providing the framework for the implementation of the IGA relating to FATCA and any future foreign account information-sharing agreements that may be entered into by New Zealand with other countries. The Act requires New Zealand financial institutions will be required to comply with the due diligence and record keeping obligations.

Table 1

Measure	Year	Index or Rank	Website Address
TI Corruption Perceptions index	2014	2 of 175	transparency.org/cpi2014/results
World Bank's Doing Business Report "Ease of Doing Business"	2015	2 of 189	doingbusiness.org/rankings
Global Innovation Index	2014	18 of 143	globalinnovationindex.org/content.aspx?page=data-analysis
World Bank GNI per capita	2013	35,550	data.worldbank.org/indicator/NY.GNP.PCAP.CD

2. Conversion and Transfer Policies

Foreign Exchange

There are no restrictions on the inflow or outflow of capital, and the currency is freely convertible. Full remittance of profits and capital is permitted through normal banking channels. There is no difficulty in obtaining foreign exchange.

Remittance Policies

New Zealand is working with the banking sector to improve the bankability of small money transfer operators and to develop low cost products for seasonal migrant workers. New Zealand expressed commitment to using its membership in global forums to encourage a coordinated approach to reviewing and addressing the issue of high remittance costs. New Zealand is working with partner governments and agencies in the Pacific to explore ways of reducing costs in the receiving country, such as through the adoption and use of electronic payments systems infrastructure.

There were reports during 2014 of New Zealand banks reducing their banking services for remittance service providers due to concerns over potential breaches of the Anti-Money Laundering and Countering Financing of Terrorism (AML/CFT) Act, which was implemented in 2013.

The Act requires banks to collect additional information about their customers and if a bank reasonably believes a transaction is suspicious it must report it to the New Zealand Police. If a bank is unable to comply with the Act in its dealings with a customer, it must not do business with that person. This would include not processing certain transactions, withdrawing the banking products and services it offers, and choosing not have a person as a customer.

There are no restrictions on the movement of funds into or out of New Zealand, or on repatriation of profits.

In October 2013, the Financial Action Task Force (FATF) recognized the significant progress New Zealand had made in addressing deficiencies identified in the 2009 mutual evaluation report, and removed it from the regular follow-up process. This progress included the implementation of the AML/CFT Act, strengthening and expanding its supervisory framework, and introducing a new cross-border cash reporting regime.

3. Expropriation and Compensation

Expropriation is not an issue in New Zealand, and there are no outstanding cases.

4. Dispute Settlement

Legal System, Specialized Courts, Judicial Independence, Judgments of Foreign Courts

New Zealand's legal system is derived from the English system, and comes from a mix of common law and statute law.

The judicial system is generally open, transparent and effective in enforcing property and contractual rights. The highest appeals court is a domestic Supreme Court, which replaced the Privy Council in London and began hearing cases July 1, 2004. New Zealand courts are independent and impartial, and the decisions of judges are subject only to the law. The courts can recognize and enforce a judgment of a foreign court if the foreign court is considered to have exercised proper jurisdiction over the defendant according to private international law rules. New

Zealand has well defined and consistently applied commercial and bankruptcy laws. Arbitration is a widely-used dispute resolution mechanism inside New Zealand, and is governed by the Arbitration Act 1996, Arbitration (Foreign Agreements and Awards) Act 1982, and the Arbitration (International Investment Disputes) Act 1979.

Bankruptcy

Bankruptcy is addressed in the Insolvency Act 2006, the full text of which can be found at www.legislation.govt.nz.

Investment Disputes

Investment disputes are extremely rare, and there have been no major disputes in recent years involving U.S. or other foreign investors. The mechanism for handling disputes is the judicial system, which is generally open, transparent and effective in enforcing property and contractual rights.

International Arbitration

See Investment Disputes above.

ICSID Convention and New York Convention

New Zealand is a member to the International Centre for Settlement of Investment Disputes (ICSID Convention) and a signatory to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (1958 New York Convention).

Duration of Dispute Resolution

Investment disputes are rare, and as a result there is no standard timeframe for resolution. See Investment Disputes.

5. Performance Requirements and Investment Incentives

WTO/TRIMS

The Government of New Zealand does not maintain any measures that are alleged to violate the Trade Related Investment Measures text in the World Trade Organization (WTO). There are no performance requirements or incentives associated with foreign investment. However, for those investments that require OIO approval and are subject to reporting requirements, investors must report regularly on their compliance with the terms of the consent agreement.

Investment Incentives

See Section 1: Industrial Promotion.

Research and Development

Callaghan Innovation is a stand-alone Crown Entity that was established in February, 2013. It connects businesses with research organizations offering services and the opportunity to apply for government funding and grants that support business innovation and capability building.

Callaghan Innovation requires businesses applying for any of their research and development grants to have at least one director who is resident in New Zealand and have been incorporated in New Zealand, to have a center of management in New Zealand or to have a head office in New Zealand.

Performance Requirements

Not applicable.

Data Storage

Not applicable.

6. Right to Private Ownership and Establishment

Private entities generally have the right to freely establish, acquire, and dispose of business enterprises. There are a few exceptions in the treatment of domestic and foreign private entities. Government approval is required for foreign investments over NZD 100 million and investments in commercial fishing and certain land (as outlined in the Openness to Foreign Investment section above.) In general, there has been no restriction on foreign purchasers in the privatization of assets, except for the ceilings on foreign ownership stakes in Air New Zealand and Spark New Zealand. To preserve landing rights, no more than 49 percent of Air New Zealand, the national flagship carrier, can be owned by foreigners. A single foreign investor can hold a maximum of 49.9 percent of the total voting shares of Spark New Zealand. In addition, the OIO administers sections 56 to 57J of the Fisheries Act 1996, which sets out the criteria for applicants to acquire a fishing quota or an interest in fishing quota.

7. Protection of Property Rights

Real Property

New Zealand recognizes and enforces secured interest in property, both movable and real. Most privately owned land in New Zealand is regulated by the amended Land Transfer Act 1952 and the Land Transfer Regulations 2002. These provisions set forth the issuance of land titles, the registration of interest in land against land titles, guarantee of title by the State. The Register-General of Land develops standards and sets an assurance program for the land rights registration system. New Zealand's legal system protects and facilitates acquisition and disposition of all property rights.

Intellectual Property Rights

Regarding intellectual property rights (IPR) protection, New Zealand generally has a strong record and is an active participant in international efforts to strengthen IPR enforcement globally. It is a party to nine World Intellectual Property Organization (WIPO) treaties and actively participates in the Trade Related Aspects of Intellectual Property Rights (TRIPS) Council. However, New Zealand is not party to the WIPO internet treaties (the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty).

New Zealand implemented the Madrid Treaty in December 2012, allowing New Zealand companies to file international trade marks through the Intellectual Property Office of New Zealand (IPONZ). IPONZ also overhauled their systems to allow for online application and management, to cut down administration and compliance burdens. Since 2013 an online portal hosted on the IPONZ and IP Australia websites has allowed applicants to apply for patent protection simultaneously in Australia and New Zealand with a single examiner assessing both applications according to the respective countries' laws.

New Zealand is a party to the multi-lateral Anti-Counterfeiting Trade Agreement (ACTA), which is aimed at establishing a comprehensive international framework that will assist Parties to the agreement in their efforts to effectively combat the infringement of intellectual property rights, in particular the proliferation of counterfeiting and piracy.

The principal legislation governing copyright protection in New Zealand is The Copyright Act of 1994. Under the legislation, copyright protection is granted for the author's lifetime plus 50 years from the calendar year, in which the author died, for literary, dramatic, musical, and artistic works; and for 50 years from the calendar year in which they were made, for sound recordings and films. In April 2008, New Zealand passed the Copyright (New Technologies) Amendment Act, which is aimed at bringing the original copyright law up to date with digital technology. Among other things, the amendment required that internet service providers (ISPs) have a policy in place to address termination for repeat offenders. The industry attempted to form a voluntary code to address how this would be accomplished; however, agreement between rights holders and ISPs was never reached. As a result, the Government intervened to establish a more prescriptive legislation.

In April 2011 the Copyright (Infringing File Sharing) Amendment Act was passed, repealing Section 92A of the Copyright Act. The Act puts in place a three notice regime intended to deter illegal file sharing. Copyright owners who can provide evidence of infringement can request that internet service providers (ISPs) notify alleged infringers to stop infringing activity. The account holder may receive up to three warnings within a nine month period that infringement has occurred. Should the alleged infringement continue, the legislation enables copyright owners to seek the suspension of the internet account through the district court for up to six months. The account holder has the right to challenge the notice. The Bill also extends the jurisdiction of the Copyright Tribunal, enabling it to hear complaints and award penalties of up to NZD 15,000 (USD 11,400). Despite backlash from the New Zealand internet community, the Act came into force in September 2011. Although many rights holders initially expressed optimism over the legislation, they have since expressed concerns that subsequent implementing regulations issued by the Ministry of Business, Innovation and Employment (MBIE), which allow internet service

providers to charge up to NZD 25 (USD 19) per issuance of an infringement notice. The cost has deterred some rights holders from using the system.

Counterfeiting of intellectual property is another form of organized criminal activity. According to the New Zealand Customs Service, nearly 25,000 individual counterfeit goods items were intercepted by Customs in 2013/14.

Trademarks in New Zealand are protected under the Trade Marks Act of 2002, which entered into force in 2003. The legislation has been amended several times, and the most recent amendment is the Trade Marks Amendment Act 2011, which is effective from September 15, 2011. The amendment prescribes that all trademarks must be classified according to the Nice classification system (in accordance with New Zealand's accession to the Nice Agreement in 2013). To bring New Zealand in line with its obligation under the Madrid Protocol, the amendment establishes the Patent Office as New Zealand's office of origin and provides for regulations to be made in regards to international registrations. The amendment also revises provisions regarding parallel importing, suspension of border protection notices, removal of licensees on the Trade Marks Register, and more.

New Zealand meets the minimum requirements of The Agreement on Trade Related Aspects of Intellectual Property Rights (TRIPS), providing patent protection for 20 years from the date of filing. The New Zealand Government grants both product and process patents.

The Patents Act 2013 passed in September 2013 has replaced the Patents Act 1953. The legislation brought New Zealand patent law in substantial conformity with Australian patent law. Consistent with Australian patent law, an absolute novelty standard is introduced as well as a requirement that all applications be examined for obviousness and utility. The legislation removes the 1953 Act provision for pre-grant opposition and introduces a re-examination provision which can be invoked at any time after acceptance of an application, a provision potentially of concern, as it differs from general international practice. Re-examination will be limited to issues of novelty and inventive step based on documented prior art.

The Patents Act stops short of precluding from patentability all computer software and has a provision for patenting embedded software. It also bars the patenting of plants and plant varieties (although some may still be protected under the Plant Variety Rights Act). Methods of medical treatment are now explicitly excluded from patentability, but can still be pursued in New Zealand as Swiss versions.

Regulations governing the Patents Act 2013 came into force in September 2014. The regulations cover fees, timeframes, application processes, and powers of the Commissioner of Patents. It also refers directly to the Budapest Treaty, although New Zealand is not a signatory to the Treaty itself.

The Intellectual Property Office of New Zealand (IPONZ) has drafted implementing guidelines for the Bill and released them for public comment. In light of negotiations on the Trans-Pacific Partnership free trade agreement, the U.S. Government has expressed concern that a number of provisions in the Patents Bill (including, but not limited to its provision on software

patentability) do not provide the high level of IPR protection reflected in past U.S. trade agreements.

Resources for Rights Holders

For additional information about treaty obligations and points of contact at local IP offices, please see WIPO's country profiles at <http://www.wipo.int/directory/en/>.

Embassy point of contact: Andrew Covington – CovingtonAK@state.gov

Local lawyers list: <http://newzealand.usembassy.gov/lawyers.html>

8. Transparency of the Regulatory System

New Zealand's regulatory, legal, and accounting systems are generally transparent and consistent with international norms. Proposed laws and regulations are regularly published in draft form for public comment via the internet, and law makers generally make every effort to give public submissions due consideration. While some standards are set through legislation or regulation, the vast majority of standards are developed through Standards New Zealand, the country's leading standards setting body. Standards New Zealand is a Crown entity, but it operates autonomously and is self-funded. When setting standards, they rely on expert committee consensus, public input and widespread consultation with affected parties, both foreign and domestic. The majority of standards are set in coordination with Australia.

There are a number of laws and policies that govern New Zealand's competition policy. The key competition law statute in New Zealand is the Commerce Act 1986, which covers both restrictive trade practices and the competition aspects of M&A transactions. It also sets forth regulation of industries and sectors with certain natural monopolies, such as electricity, airports, and telecommunications. The Commerce Act 1986 is overseen and enforced by New Zealand's Commerce Commission, an independent Crown Entity that prohibits misleading and deceptive conduct by traders, and promotes competition through the enforcement of legislation. In general, any contracts, arrangements, or understandings that have the purpose or effect of substantially lessening competition in a market are prohibited, unless authorized by the Commerce Commission. Before granting such authorization, the commission must be satisfied that the public benefit would outweigh the reduction of competition.

The Commerce Commission can block a merger or takeover that would result in the new company gaining a dominant position in the market. The use of a dominant market position to lessen or prevent various specified types of competition is contrary to the Act's provisions. However, the enforcement of any right under any copyright, patent, protected plant variety, registered design, or trademark does not necessarily constitute abuses of a dominant position.

Suppliers' use of resale price maintenance, in which suppliers of goods set and enforce sale prices to be charged by re-sellers, is also prohibited. Advice should be obtained on the application of the Act before the establishment of exclusive distribution, selling, and franchising arrangements in New Zealand.

To ensure competition in "natural monopolies," such as telecommunications and electricity, the government has increased oversight. Under the 1997 WTO Basic Telecommunications Services Agreement, New Zealand committed to the maintenance of an open, competitive environment in the telecommunications sector. Key reforms of the sector, through legislation enacted in December 2001 and December 2006, included the appointment of a commissioner responsible for resolving commercial disputes, the introduction of regulated services (including local loop and bit stream unbundling), the strengthening of the monitoring and enforcement arrangements for regulated services, and the operational separation of Spark New Zealand.

One law that draws consistent criticism as a barrier to investment (from both foreign and domestic investors) is the Resource Management Act 1991. The Act regulates access to natural and physical resources such as land and water. Critics contend that the resource management process mandated by the law is unpredictable, protracted and subject to undue influence from competitors and lobby groups. There have been several well publicized cases in which it was alleged that companies have used the objections submission process under the law to stifle competition. Investors have also raised concerns that the law is unequally applied between jurisdictions because of the lack of implementing guidelines. To address some of these concerns, the Resource Management Amendment Act 2013 and the Resource Management (Simplifying and Streamlining) Amendment Act 2009 were passed.

9. Efficient Capital Markets and Portfolio Investment

New Zealand policies generally facilitate the free flow of financial resources to support the flow of resources in the product and factor markets. Credit is generally allocated on market terms, and foreigners are able to obtain credit on the local market. The private sector has access to a variety of credit instruments. It has a strong infrastructure of statutory law, policy, contracts, and codes of conduct, corporate governance, and dispute resolution that support financial activity and allow it to thrive. The banking system, mostly dominated by foreign banks, is world class in electronic banking and is rapidly moving New Zealand into a cashless society.

Following a period of sustained fiscal consolidation, international credit agencies have either reaffirmed or upgraded their outlooks for New Zealand sovereign credit. In July 2014, Fitch Ratings revised New Zealand's AA sovereign rating outlook from stable to positive, having downgraded it in September 2011 from AA+ to AA. In March 2015, New Zealand had its Aaa rating with a stable outlook by Moody's reaffirmed, and it currently retains its AA rating with a stable outlook by Standard and Poor's.

New Zealand also has a full range of other financial institutions, including a securities exchange, investment firms and trusts, insurance firms and other non-bank lenders. Non-bank finance institutions experienced difficulties during the financial crisis due to risky lending practices, and the Government of New Zealand has undertaken legal changes to bring them into the regulatory framework.

The Securities Commission, under the Securities Act 1978 and amendments, regulated the issuance of securities. The Act requires registration of prospectuses for public offerings of new securities and prescribes the information that must be disclosed. The Securities Markets Act 1988 provides civil remedies for loss or damages resulting from insider trading and market

manipulation. Amendments in 2002 gave the Securities Commission additional powers to increase its effectiveness in monitoring and enforcement, including criminal sanctions for insider trading and market manipulation. In September 2008, New Zealand passed the Financial Advisers Act and the Financial Service Providers (Registration and Dispute resolution) Act, which also gave the Securities Commission authority to regulate the financial services industry, including market participants, intermediaries, investors and consumers. The legislation requires that all financial products and services are registered and appropriately qualified. Such services include: providing financial advice (including financial planning); mortgages, savings and checking accounts, and loans – services your bank, building society or credit union may offer; insurance – including life, health, home/contents, and vehicle; money management and/or advice; investment management and/or advice; consumer loans and credit – such as a retailer selling an item on credit or providing a cash loan; foreign currency exchanges – whether buying or selling; and money transfers.

In April 2010, the New Zealand Cabinet agreed to establish a new consolidated market conduct regulator for the financial sector, the Financial Markets Authority (FMA), as well as a new register of securities offerings. The Financial Markets Authority Act was passed in April 2011, and the FMA began operation that same month, replacing the Securities Commission, which no longer exists. The FMA also carries out some of the current work of the Ministry of Business, Innovation and Employment, including the regulatory role of the Government Actuary and some of the roles of the Registrar of Companies. The New Zealand Markets Disciplinary Tribunal (NZMDT) is now an independent body supported by the FMA.

Legal, regulatory, and accounting systems are transparent. Financial accounting standards are issued by the Accounting Standards Review Board. The Act makes the adoption of financial accounting standards mandatory for registered companies and issuers of securities, including entities listed on the New Zealand Stock Exchange (NZX). The standards generally are adopted by other entities as well. The Board's accounting standards are based largely on international accounting standards, and the use of international accounting standards will be universal. Smaller companies (except issuers of securities and overseas companies) that meet prescribed criteria face less stringent reporting requirements. Entities listed on the stock exchange are required to produce annual financial reports for shareholders together with abbreviated semi-annual reports. Stocks in a number of New Zealand listed firms are also traded in Australia and in the United States.

Small, publicly held companies not listed on the NZX may include in their constitution measures to restrict hostile takeovers by outside interests, domestic, or foreign. However, NZX rules generally prohibit such measures by its listed companies.

As a result of the global financial crisis, New Zealand undertook a review of its financial system to shore up investor confidence. Reforms focused on establishing a regime to supervise financial advisors, enforcement of rules related to finance companies and the selling of financial products, and legal reforms to facilitate the raising of capital. Much of the impetus for the reforms stems from finance companies that engaged in high risk property lending through the issuance of debentures and “mis-selling” financial products. Many such finance companies collapsed or froze repayments.

In April 2014 the Financial Markets Conduct Act (FMC) 2013 and the Financial Reporting Act (FRA) 2013 came into effect. The FMC provides a new licensing regime to bring New Zealand financial market regulations in line with international standards. It expands the role of the FMA as the primary regulator of fair dealing conduct in financial markets, it provides enforcement for parts of the Financial Advisors Act 2008 to strengthen protections and increase transparency for investor assets held by custodians, and allows for equity crowd-funding and employee share schemes. The FRA aims to reduce compliance costs for most small to medium-sized companies by no longer required them to produce complex financial statements.

Money and Banking System, Hostile Takeovers

New Zealand banks are regulated by the Reserve Bank of New Zealand (RBNZ) under the Reserve Bank of New Zealand Act 1989. The RBNZ is statutorily independent and is responsible for conducting monetary policy and maintaining a sound and efficient financial system. The New Zealand banking system consists of 25 registered banks and more than 90 percent of their combined assets are owned by foreign banks, mostly Australian. There is no requirement in New Zealand for financial institutions to be registered to provide banking services, but an institution must be registered to call itself a bank.

The RBNZ has no requirement to guarantee the viability of a registered bank or provide permanent deposit insurance. However, in response to the global financial crisis, the New Zealand Government announced in October 2008 that it would guarantee certain retail deposits up to NZD 1 million for two years.

While the scheme has been generally successful, in 2010 the Government paid out NZD 1.6 billion to cover investor losses when New Zealand's largest locally owned finance company, South Canterbury Finance, went into receivership. Following an investigation by the Serious Fraud Office (SFO), the company directors were acquitted of the major charges pursued by the SFO in December 2014.

The Non-bank Deposit Takers Act 2013 came into force on May 1, 2014, which aims to strengthen the regulatory regimes for non-bank deposit takers and the powers of the Reserve Bank to detect and intervene if a non-bank deposit taker becomes distressed or fails. It also introduces requirements for the licensing of non-bank deposit takers, and that they have suitable directors and senior officers.

Parliament passed the Reserve Bank of New Zealand (Covered Bonds) Amendment Act 2013, which provides greater certainty and transparency for covered bonds issued by banks. The Act, which came into effect on December 10, 2013, provides for covered bond programs to be registered and monitored by the Reserve Bank, allowing bond holders to have access to a specific pool of assets (cover pool) in the event that the bank fails. The total size of the cover pool will be limited to 10 percent of a bank's assets.

Following the global financial crisis, banks in New Zealand performed relatively well. No banks failed, and there are relatively low levels of mortgage defaults.

10. Competition from State-Owned Enterprises

The Government of New Zealand owns a variety of commercial assets, including 18 state-owned enterprises (SOEs), eight Crown research institutes, four Crown financial institutions, five non-financial Crown companies, 53 percent of Air New Zealand Limited, and other Crown shareholdings in a shipping line and four airports.

Most of New Zealand's SOEs are concentrated in the energy and transportation sectors. Private enterprises are allowed to compete with public enterprises under the same terms and conditions with respect to markets, credit, and other business operations. For example, Contact Energy, a publicly listed company, is allowed to sell energy in direct competition with Meridian Energy Limited, which is an SOE. Under SOE Continuous Disclosure Rules, SOEs are required to continuously report on any matter that may materially affect their commercial value.

In 2014 the Government completed its program of asset sales, which involved the partial sale of three energy companies and Air New Zealand, with the Government retaining its majority share in each.

OECD Guidelines on Corporate Governance of SOEs

Although the SOEs are set up by the State-Owned Enterprises Act of 1986, they are regulated by the provisions of the Companies Act and are registered as public companies. Unlike Crown entities, the SOEs are structured as companies because they provide public services via market determined prices. The Crown Ownership Monitoring Unit (COMU), which is part of the New Zealand Treasury, is responsible for overseeing the SOEs and provides "shareholding" ministers with advice on the SOE performance. The board of directors of each SOE reports to two ministers, the Minister of Finance and the relevant portfolio minister.

Sovereign Wealth Funds

Not applicable.

11. Corporate Social Responsibility

The Government of New Zealand actively promotes corporate social responsibility (CSR), which is widely practiced throughout the country. There are a number of New Zealand NGOs that are dedicated to facilitating and strengthening CSR, including the New Zealand Business Council for Sustainable Development, the Sustainable Business Network, and the American Chamber of Commerce in New Zealand.

OECD Guidelines for Multinational Enterprises

See above.

12. Political Violence

New Zealand is a stable Western democracy.

13. Corruption

New Zealand is renowned for its efforts to ensure a transparent, competitive, and corruption-free government procurement system. Stiff penalties against bribery of government officials as well as those accepting bribes are strictly enforced. New Zealand consistently achieves top ratings in the Transparency International's Corruption Perception Index (CPI). In 2014, Transparency International ranked New Zealand 2nd out of 175 countries, with a rating of 91 out of 100.

The legal framework for combating corruption in New Zealand consists of domestic and international legal and administrative methods. Domestically, New Zealand's criminal offences related to bribery are contained in the Crimes Act 1961 and the Secret Commissions Act 1910. The New Zealand Government has a strong code of conduct, The Standards of Integrity and Conduct, which applies to all State Services employees and is rigorously enforced. The Independent Police Conduct Authority considers complaints against New Zealand Police and the Office of the Judicial Conduct Commissioner was established in August 2005 to deal with complaints about the conduct of judges. New Zealand's Office of the Controller and Auditor-General and the Office of the Ombudsman take an active role in uncovering and exposing corrupt practices. The Protected Disclosures Act was enacted to protect public and private sector employees who engage in "whistleblowing".

New Zealand opted to join the GATT/WTO Government Procurement Agreement in 2012, citing benefits for exporters, while noting that there would be little change for foreign companies bidding within New Zealand's totally deregulated government procurement system. In October 2014, the WTO agreed on the terms for New Zealand's accession to the GPA. New Zealand will have to complete the standard constitutional processes, including final Cabinet approval and the Parliamentary examination of the Agreement in order for accession to occur. New Zealand supports multilateral efforts to increase transparency of government procurement regimes. New Zealand also engages with Pacific Island countries in capacity building projects to bolster transparency and anti-corruption efforts.

UN Anticorruption Convention, OECD Convention on Combatting Bribery

Internationally, New Zealand has signed and ratified the OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions. In October 2006, the OECD examined New Zealand for compliance with the convention. New Zealand has also signed and ratified the UN Convention Against Transnational Organized Crime. In 2003, New Zealand signed the UN Convention against Corruption but has yet to ratify it.

Resources to Report Corruption

The Serious Fraud Office and the New Zealand Police investigate bribery and corruption matters. Agencies such as the Office of the Controller and Auditor-General and the Office of the Ombudsmen act as watchdogs for public sector corruption. These agencies independently report on and investigate state sector activities.

Serious Fraud Office
P.O. Box 7124 - Wellesley Street
Auckland, 1141
New Zealand
www.sfo.govt.nz

Transparency International New Zealand is the recognized New Zealand representative of Transparency International, the global civil society organization against corruption.

Transparency International New Zealand
P.O. Box 5248 - Lambton Quay
Wellington, 6145
New Zealand
www.transparency.org.nz

14. Bilateral Investment Agreements

New Zealand currently has signed bilateral investment treaties (BIT) with four partners: Argentina (August, 1999), Chile (July, 1999), China (November, 1988), and Hong Kong (July, 1995). Besides these treaties, the country has concluded a number of economic agreements that also contain provisions on investment:

New Zealand and Australia trade through a Closer Economic Relationship (CER), which is a free trade agreement eliminating all tariffs between the two countries. However, the rules of origin under the CER do not permit products to enter Australia duty free from New Zealand unless the products are of at least 50 percent New Zealand origin. Additionally, the last manufacturing process must be carried out in New Zealand. The enactment of the Free Trade Agreement between Australia and the United States on January 1, 2005, removes any tariff disadvantage to U.S. firms that choose to re-export products from New Zealand to Australia.

New Zealand concluded a Closer Economic Partnership (CEP) agreement with Singapore that entered into force on January 1, 2001.

New Zealand concluded a concluded a CEP agreement with Thailand that entered into force on July 1, 2005. The FTA contains a specific chapter on investment.

New Zealand concluded an FTA with China that entered into force on October 1, 2008. The FTA contains a specific chapter on investment.

New Zealand and Malaysia signed an FTA October 26, 2009, that entered into force on August 1, 2010. The FTA contains a specific chapter on investment.

New Zealand concluded work on an FTA with the Gulf Cooperation Council (GCC) on October 31, 2009, but the agreement has not yet been signed.

New Zealand concluded a CEP with Hong Kong, which entered into force on January 1, 2011.

On July 10, 2013 the New Zealand Commerce and Industry Office and the Taipei Economic and Cultural Office signed an Agreement between New Zealand and the Separate Customs Territory of Taiwan, Penghu, Kinmen, and Matsu on Economic Cooperation (ANZTEC). The Agreement entered into force on December 1, 2013.

A Free Trade Agreement between New Zealand, Australia and the Association of South East Asian Nations (ASEAN) was signed on February 27, 2009. The FTA contains a specific chapter on investment.

In March 2015, an FTA was signed with the Republic of Korea which contains a specific chapter on investment.

The Trans-Pacific Strategic Economic Partnership Agreement (TPP, previously known as the “P4”) between Brunei Darussalam, Chile, New Zealand and Singapore was signed in 2005. In 2010, the United States, Australia, Brunei Darussalam, Chile, Malaysia, New Zealand, Peru, Singapore and Vietnam began negotiating a regional Asia-Pacific trade agreement called the Trans-Pacific Partnership (TPP), with the objective of shaping a high-standard, broad-based regional agreement. Canada and Mexico joined negotiations in 2012. This agreement will create a potential platform for economic integration across the Asia-Pacific region, and a means to advance U.S. economic interests with the fastest-growing economies in the world. In December, 2012, New Zealand hosted a round of TPP negotiations in Auckland.

New Zealand is also currently negotiating a separate FTA with India. Negotiations for a block trade agreement with Russia, Belarus, and Kazakhstan were on hold as of May 2014.

New Zealand joined the Regional Comprehensive Economic Partnership (RCEP), launched at the East Asia Summit in November 2012. The RCEP developed among 16 countries: the 10 members of ASEAN (Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, and Viet Nam) and the six countries with which ASEAN has existing Free Trade Agreements (FTAs) – Australia, China, India, Japan, Korea, and New Zealand. There have been seven rounds of negotiations as of March 2015.

Bilateral Taxation Treaties

New Zealand signed an income tax treaty with the United States in 1982, which was amended in 2008. Information about the treaty can be found at <http://www.irs.gov/Businesses/International-Businesses/New-Zealand---Tax-Treaty-Documents>.

15. OPIC and Other Investment Insurance Programs

As an OECD member country and developed nation, New Zealand is not eligible for OPIC programs. Although the New Zealand Government does not provide OPIC-like services to encourage New Zealand investment in developing countries, New Zealand is a member of the Multilateral Investment Guarantee Agency (MIGA). It also has an export insurance program administered under the New Zealand Export Credit Office (NZECO). NZECO provides credit guarantees to protect exporters against uncontrollable events and aims to help build the capacity of New Zealand exporters to offer long-term finance terms to international buyers.

16. Labor

The seasonally adjusted unemployment rate rose slightly in the December 2014 quarter from 5.4 percent in the September quarter to 5.7 percent. This reflected higher labor force participation as the trend since 2012 has been downward.

New Zealand's unemployment rate has improved relative to other OECD countries for the third quarter of 2014, ranking 9th with a harmonized rate of 5.4 percent, almost two percentage points below the OECD average of 7.3 percent. This compares favorably with their ranking of 13th in the third quarter of 2013 reporting a rate of 6.1 percent compared with the OECD average at the time of 7.8 percent.

Adjusting for seasonal effects, there were 3,614,000 people in the working age population, of which 1,096,000 were not in the labor force and 2,518,000 were part of the labor force, yielding a labor force participation rate of 69.7 percent. Of those in the workforce, 2,375,000 were employed (94.3 percent) and 143,000 were unemployed (5.7 percent). Approximately 77 percent of those employed were full-time workers.

In comparison with a year ago, employment growth was strongest in construction, mining, arts and recreation, and public administration and safety. About 26 percent of the growth in the construction industry over the year was due to self-employment.

Unemployment rates have decreased across all reported ethnicities, with rates among Maori and Pacific Islanders now standing at 12 and 11.2 percent respectively, compared to 12.8 percent and 13.7 percent in the fourth quarter of 2013 (and 14.8 percent and 16 percent in the fourth quarter of 2012). The loss of New Zealand workers to Australia has dropped off markedly in the past year, with a net loss of migrants of 2,600 for the year to February 2015, well down on the 36,700 net loss in February 2013 year.

A number of employment statutes govern the work place in New Zealand. The most important is the Employment Relations Act (ERA) 2000, which repealed the Employment Contracts Act 1991. Other key legislation that supplement the ERA include the Employment, Equal Pay Act 1972, Health and Safety in Employment Act 1992, Holidays Act 2003, Minimum Wage Act 1983, the Parental Leave and Employment Protection Act 1987, Volunteers Employment Protection Act 1973, and Wages Protection Act 1983.

As part of a trend around continual updates to employment legislation, the Employment Relations Amendment Act 2014 came into effect on March 6, 2015. The main changes the Act introduced concerned collective bargaining arrangements, the requirement for all strikes to be notified in advance, enabling employers to make deductions from the wages/salaries of employees who are partially on strike, and allowing employers to make reasonable restrictions on rest and meal breaks.

Labor laws are generally well enforced, and disputes are usually handled by the New Zealand Employment Relations Authority. Its decisions may be appealed in an Employment Court. MBIE is responsible for enforcement of laws governing work conditions. Unions have the right to organize and collectively bargain.

The Employment Relations Act 2000 requires registered unions to file annual membership returns with the Companies Office, the government agency responsible for administering the register of incorporated societies and charitable trust boards. In 2013, there were 371,613 union members representing 16.6 percent of the total employed force. The ten largest unions account for almost 80 percent of the total union membership.

Work stoppages continue to decline. According to MBIE, there were six stoppages in 2013, down from ten the previous year. This is the lowest number of stoppages for any year since the series began in 1986. The six work stoppages that occurred in 2013 consisted of six complete strikes involving 270 employees, 483 lost person-days of work, costing an estimated NZD120,000 in lost wages and salaries. In comparison, the 10 stoppages that ended in 2012 comprised six complete strikes, three partial strikes and one lockout, involving 5,179 employees. In 2015 there were 60 stoppages involving 17,752 employees, costing NZD4.8 million resulting in 30,028 lost person-days of work.

Employment rights mandate that every employee has a written employment agreement. The adult (employees who are 16 and over and are not new entrants or trainees) minimum wage is NZD 14.25 (USD 10.84) per hour. The new entrants and training minimum wage is NZD 11.40 (USD 8.67) per hour.

17. Foreign Trade Zones/Free Ports/Trade Facilitation

New Zealand does not have any foreign trade zones or free ports.

18. Foreign Direct Investment and Foreign Portfolio Investment Statistics

Table 2: Key Macroeconomic Data, U.S. FDI in Host Country/Economy

	Host Country Statistical source*		USG or international statistical source		USG or International Source of Data: BEA; IMF; Eurostat; UNCTAD, Other
Economic Data	Year	Amount	Year	Amount	
Host Country Gross Domestic Product (GDP) (\$M USD)	2014	190,340	2013	185,800	www.worldbank.org/en/country
Foreign Direct Investment	Host Country Statistical source*		USG or international statistical source		USG or international Source of data: BEA; IMF; Eurostat; UNCTAD, Other
U.S. FDI in partner country (\$M USD, stock positions)	2014	6,140	2013	7,919	http://bea.gov/international/factsheet/factsheet.cfm?Area=620
Host country's FDI in the United States (\$M USD, stock positions)	2014	3,310	2013	972	http://bea.gov/international/factsheet/factsheet.cfm?Area=620
Total inbound stock of FDI as % host GDP	2014	36.9%	2013	46.3%	OECD

*Statistics New Zealand.

Table 3: Sources and Destination of FDI

Direct Investment from/in Counterpart Economy Data					
From Top Five Sources/To Top Five Destinations (US Dollars, Millions)					
Inward Direct Investment			Outward Direct Investment		
Total Inward	76,174	100%	Total Outward	18,740	100%
Australia	44,471	58	Australia	10,100	54
United States	6,597	9	United States	2,950	16
United Kingdom	6,227	8	Singapore	1,430	8
Singapore	3,417	4	United Kingdom	1,104	6
Japan	2,641	3	China, P.R.: Hong Kong	626	3

"0" reflects amounts rounded to +/- USD 500,000.

Source: IMF Coordinated Direct Investment Survey

Table 4: Sources of Portfolio Investment

Portfolio Investment Assets								
Top Five Partners (Millions, US Dollars)								
Total			Equity Securities			Total Debt Securities		
All Countries	78,785	100%	All Countries	50,208	100%	All Countries	28,576	100%
Australia	25,107	32	Australia	19,485	39	United States	6,145	22
United States	19,010	24	United States	12,865	26	Australia	5,622	20
United Kingdom	4,122	5	United Kingdom	2,467	5	United Kingdom	1,655	6
Japan	3,050	4	Japan	1,574	3	Japan	1,476	5
Germany	1,481	2	Canada	589	1	Netherlands	1,339	5

Source: IMF Coordinated Portfolio Investment Survey

19. Contact for More Information

Economic Officer
 U.S. Embassy Wellington
 PO Box 1190
 Wellington 6140
 New Zealand
 +64-4-462-6000