

30 June 2014

The General Manager  
Trade and International Environmental Branch  
Ministry of Business, Innovation and Employment  
P O Box 3705  
Wellington

**Consultation on the introduction of a bounded public interest test into the New Zealand Anti-Dumping and Countervailing Duties Regime.**

BusinessNZ welcomes the opportunity to make a submission on this topic.

BusinessNZ is a national industry association representing a broad cross section of the business community.

**BACKGROUND INFORMATION ON BUSINESS NEW ZEALAND**

Business New Zealand is New Zealand's largest business advocacy organisation.

Through its four founding member organisations – EMA Northern, EMA Central, Canterbury Employers' Chamber of Commerce and the Otago-Southland Employers' Association – and 70 affiliated trade and industry associations, Business NZ represents the views of over 76,000 employers and businesses, ranging from the smallest to the largest and reflecting the make-up of the New Zealand economy.

In addition to advocacy on behalf of enterprise, Business NZ contributes to Governmental and tripartite working parties and international bodies including the International Labour Organisation, the International Organisation of Employers and the Business and Industry Advisory Council to the Organisation for Economic Cooperation and Development.

Given our broad membership we attempt to look at policy proposals in terms of what is best for the economy overall and hence the majority of businesses and the consumers they serve.

Accordingly our starting position is that an open and competitive economy delivers the best results for both consumers and our businesses. As a small economy

geographically remote from larger markets, it is very important we have a good regulatory framework in place that allows competition to flourish so that business and consumers get the value of competitive prices and good service and the innovation that competition can deliver.

That said our main question with regard to the proposal to introduce a public interest test into the anti-dumping and countervailing duties regime; is what problem is the Government trying to solve?

The reason for this question is that if we accept that dumping is a legitimate trade problem and it is defined as “the export price to New Zealand is less than the price they are sold for in the domestic market of the exporting country” or “price discrimination between the export market and the domestic market”, then that is a clear cut reason for action.

What New Zealand manufacturers are asking for in invoking anti-dumping duties is for a level playing field. In thinking about this we should take into account that New Zealand has the amongst the lowest tariffs (where tariffs remain) for manufactured goods in the world and that we don’t indulge in the various subsidies and government support schemes as can be found in the EU and Canada. It is arguable that the more tariff regimes and support schemes a country has – the more likely that they are to need a public interest test to balance out their pre-existing and distorting market interventions.

A second reason for asking ‘what is the problem we are trying to solve?’, is to look at the list of products/countries where anti-dumping duties are currently in force. It is a very small list, so clearly this is not a tool that is being used extensively by New Zealand firms. This could be because it is not a major issue for the majority of New Zealand businesses because they are not experiencing “dumping” (arguably the current regime is a deterrent), or the transaction costs of applying for the anti-dumping duty outweigh the benefits, and/or because they are not competing with the lowest common denominator on price as their sole selling point.

If we look at the examples on the list that relate to the building sector; which is where we agree we want a competitive and dynamic market to give consumers the best value for money – we should ask some questions before we consider adding new tests to a regime that seems to be relatively sparingly used.

The countries exporting steel, wire, nails and plasterboard and which are subject to anti-dumping duties (some suspended until 2017 in the interests of the Canterbury rebuild) are Thailand, Malaysia, and China.

Given these countries all have a significantly lower cost of manufacturing than New Zealand manufacturers (due to scale, wage rates, health and safety and other regulatory costs, and inputs) it is hard to see why they could not compete in the New Zealand market at a cheaper price point than local manufacturers if they wanted to –

even allowing for shipping costs, without resorting to selling at below their domestic market rates.

If these products can only be competitive/gain market share at prices below what they retail for in their domestic markets, especially at a time of peak demand in New Zealand (with Christchurch demand and Auckland housing market demands) then it could be that these products fall into the category where it does not make sense to export them long distances due to weight/bulk?

While it is definitely in the public interest to have open and competitive markets for these products, we need to be mindful that there is nothing stopping large firms from those markets investing in building a presence in New Zealand and competing on a level playing field as the law currently stands. If New Zealand is too small a market for that to be attractive, then maybe we need to have the debate about how big our population needs to be to get better competition and all the advantages of agglomeration. A preponderance of monopolies and duopolies and constraints in transport and logistics options are all factors of a small and isolated market.

The Government has already achieved additional price pressure in the building materials market by suspending the application of anti-dumping duties until 2017 for the building products mentioned above, and it is therefore questionable if an additional step is needed.

The problems with a public interest test include;

- Subjective test that is expensive to administer (cost/benefit analysis, balancing competing interests etc) and less timely than the current regime.
- A more objective test (numerical thresholds) but this is a blunt tool that may have unintended consequences and may not meet the objectives.
- Lack of clarity/certainty of outcome for the market.

BusinessNZ's main question with regard to this proposal is whether a public interest test is warranted, given the current list of anti-dumping duties applying is so small and for those products that relate to the building sector a temporary suspension is already in place.

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For any further information or clarification contact

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