Executive Summary

Measure	Year	Index or Rank
TI Corruption Perceptions Index	2013	91 / 1
Heritage Foundation's Economic Freedom index	2014	81.2 / 5
World Bank's Doing Business Report	2014	Rank of 3

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. Recent legislative changes include the introduction of a new Patents Bill in 2013 which makes the criteria for granting a patent stricter.

1. Openness to, and Restrictions Upon, Foreign 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.

The New Zealand Government maintains a New Zealand Screen Production Grant, which provides a 20 percent baseline rebate for international film and television productions created in New Zealand, accessible on the basis of qualifying New Zealand production expenditure over certain qualifying expenditure thresholds.

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). 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. Some opposition political leaders have suggested that non-residents be restricted from purchasing homes in New Zealand. However, the government does not support such measures. 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 interests" 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 the application processing time for non-sensitive land applications was an average of 29 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 - 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 2012, the OIO approved 113 applications, and declined zero.

The Government of New Zealand does not discriminate against foreign investors, but has placed separate limitations on foreign ownership of Air New Zealand and Telecom Corporation of New Zealand. The constitution of Telecom Corporation of New Zealand Limited (Telecom) 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 Telecom 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.

New Zealand's main methods for taxation are the goods and services tax (GST), company tax, and income tax. In 2010, the New Zealand Government implemented sweeping changes to all three. The reform lowered personal and company income tax rates, increased indirect taxation, broadened the existing tax base, and tightened tax deduction rules. On October 1, 2010 New Zealand reduced its personal tax rate, which now ranges from 10.5 percent to 33 percent, as compared to the previous tax range of 12.5 percent to 38 percent. At the same time, GST was raised to 15 percent from 12.5 percent. The company tax was also cut from 30 percent to 28 percent, and first applied to the 2011/2012 income year. For most companies, this took effect on April 1, 2011. New Zealand also dropped its top tax rate for most portfolio investment entities (PIES) by 2 percent to 28 percent.

There is no capital gains tax, but some "gains", 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 38 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..

In October 2012, New Zealand announced it would pursue a Foreign Account Tax Compliance Act (FATCA) agreement with the United States, in an effort to reduce compliance costs for New Zealand institutions. Under the agreement, New Zealand's Inland Revenue Department (IRD) would submit the required information to the IRS on behalf of a financial institution's behalf. New Zealand also signed the multilateral "Convention on Mutual Administrative Assistance in Tax Matters" on October 31, 2012.

In November 2013, the Taxation (Annual Rates, Employee Allowances, and Remedial Matters) Bill was introduced into Parliament and is an omnibus bill that amends various Inland Revenue Acts. Specifically it proposes a framework for the implementation of the IGA relating to FATCA compliance and any future foreign account information-sharing agreements that may be entered into by New Zealand with other countries.

The Bill had its first reading in Parliament in December, and if enacted will become effective July 1, 2014. From that date New Zealand foreign financial institutions will be required to comply with the due diligence and record keeping obligations.

Measure Year Index/Ranking

TI Corruption Perceptions Index 2013 91 / 1 (2-way tie)
Heritage Economic Freedom 2014 81.2 / 5
World Bank Ease of Doing Business 2014 -- / 3

2. Conversion and Transfer Policies

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.

3. Expropriation and Compensation

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

4. Dispute Settlement

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. Property and contractual rights are enforced by a British-style legal system. 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.

New Zealand is a party to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States and to the New York Convention of 1958 on the Recognition and Enforcement of Foreign Arbitral Awards.

5. Performance Requirements/Incentives

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. 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.

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 the Telecom Corporation of 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 Telecom New Zealand. In addition, under the Fisheries Act 1983, foreigners can only lease New Zealand fishing rights.

7. Protection of Property Rights

New Zealand recognizes and enforces secured interest in property, both movable and real. Most privately owned land in New Zealand is regulated by the Land Transfer Act 1952 (as amended) 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.

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. 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 principle 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 12,300). 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, which allow internet service providers to charge up to NZ$25 (US$20.50) per issuance of an infringement notice. The cost has deterred some rights holders from using the system.

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). 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 TRIPS Agreement, providing patent protection for 20 years from the date of filing. The New Zealand Government grants both product and process patents. Patents are protected under the Patents Act 1953, last amended in 1999. In 2008 a new bill was introduced to Parliament to replace the 1953 Act. The Patents Act 2013 was passed into law in September 2013. The Act will not fully commence until September 13, 2014, however some parts are already in force. Final regulations will be submitted to Cabinet on August 4, 2014.

Under the legislation, the patent term will remain at twenty years, and criteria for granting a patent will become stricter. An absolute novelty standard was introduced as well as a requirement that requires all applications be examined for "obviousness" and utility. The legislation removed the 1953 Act provision for pre-grant opposition and will introduce 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 international practice. Reexamination will be limited to issues of novelty and inventive step based on documentary prior art. The 1953 Act post-grant opposition provisions were expanded, making it possible to invoke post-grant opposition at any time during the patent term. The legislation also provides for the establishment of a Maori Advisory Committee to advise the Commissioner of Patents where patent applications involve traditional knowledge and indigenous plants and animals. In addition, the legislation includes provisions that will reform the regulatory environment for patent lawyers. Pharmaceutical companies have expressed concern that the bill does not bring patent term restoration in line with international best practices.

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.

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: Dorothy Mayhew MayhewD@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. 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 bitstream unbundling), the strengthening of the monitoring and enforcement arrangements for regulated services, and the operational separation of Telecom New Zealand.

Mobile termination rates (MTRs) were long unregulated in New Zealand's small, isolated market, creating an environment for protectionist behavior. Under the unregulated system, prices and other terms are negotiated commercially between network operators (fixed or mobile). New Zealand's dominant telecommunication companies, Vodafone and Telecom, historically had termination rates that were among the highest of all industrialized countries. These above-cost MTRs also created a framework for the other anticompetitive behavior, such as significant on-net/off-net retail price differentiation resulting in highly concentrated geographic regions dominated by one or other of the incumbent networks. On a national basis however, Vodafone and Telecom control 51 percent and 46 percent of the market respectively.

In May 2011, the New Zealand Commerce Commission issued a decision requiring cost-based rates for MTRs, thereby increasing competition and reducing wholesale termination rates for mobile calls and text messages. Pursuant to the decision, termination rates for text messages were immediately reduced, and mobile call termination rates were reduced in early 2012, with additional rate reductions mandated by 2014, resulting in rates that are now very competitive by global standards.

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 (Simplifying and Streamlining) Amendment Act was passed in 2009.

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, 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. However, in November 2010, Standard & Poor’s downgraded its outlook for New Zealand’s credit rating from stable to negative, citing a weakening of the nation’s banks. Despite initially supporting the measures outlined in the government’s May 2011 budget, both Standard & Poor’s and Fitch further downgraded New Zealand from an AA+ to AA rating on September 30, 2011, where it remains as of 2014.

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, which will take effect in the middle of 2013.

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 22 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 went into receivership. Following an investigation by the Serious Fraud Office, the company directors have been on trial for fraud since March 2014.

In December 2013 Parliament passed the Non-bank Deposit Takers Act 2013 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. The Act comes into force on May 1, 2014.

Parliament also passed the Reserve Bank of New Zealand (Covered Bonds) Amendment Act 2013 that 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 (the "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.

For investment-grade financial institutions that have substantial borrowing and lending operations in New Zealand, the Government also offered a wholesale funding guarantee facility. On April 30, 2010, the New Zealand Government ended its wholesale funding guarantee program (which helped banks access funding during the liquidity crisis) but the retail deposit guarantee will continue.

Following the global financial crisis, banks in New Zealand performed relatively well. No banks failed, and there are relatively low levels of mortgage defaults. While banks have remained relatively stable, the largest four New Zealand banks (ANZ, ASB, Westpac & BNZ) were downgraded on December 3, 2011 following downgrades of their Australian parent banks. The main reasons cited for the downgrades were foreign instability and the banks' reliance on foreign funding. Because banks in New Zealand predominately rely on foreign funding (45 percent comes from overseas capital markets), they are heavily exposed to foreign liquidity risk. The global financial crisis also spurred the Government of New Zealand to review banking regulation and crackdown on tax evasion by foreign-owned banks.

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 registration) 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 proscribed 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 has undertaken a review of its financial system to shore up investor confidence. Reforms are 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.

10. Competition from State-Owned Enterprises (SOEs)

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. 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.

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, an issue it campaigned on for re-election in 2011. The program involved the partial sale of three energy companies and Air New Zealand, with the Government retaining its majority share in each.

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.

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 2012, Transparency International ranked New Zealand first equal (out of 180 countries and territories), with a rating of 90. The highest possible score (i.e. least corrupt) is 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 New Zealand Police has its own Code of Conduct that applies to all New Zealand Police employees, 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".

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 and is currently working to ratify it. 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. 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.

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.

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 separate FTAs with India and Korea. 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 four rounds of negotiations as of May 2014.

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 at the end of the September 2012 quarter rose to 7.3 percent from 6.8 percent in the previous quarter. Despite a downward trend in unemployment from a peak of 7.1 percent in December 2009, this marked increase highlights the difficulties New Zealand is experiencing economically, largely due to external pressures. While still below the OECD average of 7.9 percent, New Zealand has slipped in the last year from eleventh to fifteenth lowest unemployment rate of the 33 OECD countries.

As of the end of the September 2012 quarter, there were 3,497,000 people in the working age population; 2,393,000 persons employed in the workforce (68.4 percent), and 1,103,000 persons not in the labor force (31.6 percent). Of those in the workforce, 2,218,000 are employed (92.7 percent) and 157,000 are unemployed (6.5 percent). Approximately 77 percent of those employed were full-time workers.

In comparison with a year ago, employment is growing most rapidly in agriculture, forestry and fishing, transport, postal and warehousing, and professional services. Manufacturing, construction, and education employment have all dropped. The unemployment rate within certain parts of the population continues to rise. Unemployment rates among Maori and Pacific Islanders now stand at 15.1 percent, 15.6 respectively, as compared to 13.1 percent and 14.4 percent at the end of September 2011. New Zealand continues to lose many of its workers to Australia (where any New Zealander can legally work). New Zealand workers are drawn there by relatively higher wages and more plentiful job opportunities.

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.

Some notable changes to New Zealand's labor law in recent years include a 2004 revision of the ERA, which strengthens collective bargaining, good faith provisions, and dispute resolution mechanisms. It also provides additional protection for workers in the event that company ownership changes. The Employment Relations (Flexible Working Arrangements) Amendment Bill, which was passed in 2007, changes the Employment Relations Act to provide employees who care for others with the statutory right to request part-time or flexible hours. The changes are not limited to hours of work but can also include the place of work, such as working from home, compressing the work week into fewer days, flexi-time, staggered hours, shift swapping, and job sharing. In 2007, the mandatory minimum annual leave time increased to four weeks. In November 2010, the New Zealand Government amended the Holidays Act 2003 and the Employment Relations Act 2000. The amendments introduced a wide range of changes, including: the ability for employees to cash in a maximum of one week of annual holidays, the ability to transfer public holidays to another working day, extending trial periods to all employers, changes to the personal grievance provisions, requiring consent to be given before a union can access a workplace, requiring employers to retain employment agreements, and extending the role and powers of labor inspectors. The changes for both amendments took effect on April 1, 2011.

Another notable change in New Zealand's labor law occurred in 2010 with the promulgation of the Employment Relations (Film Production Work) Amendment. After Warner Bros threatened to move the production of the movie *The Hobbit* elsewhere because of a dispute with acting unions, the Government of New Zealand, on short notice, amended the Employee Relations Act 2000. The amendment essentially changed the law so that workers involved with film production work will be considered as independent contractors rather than employees, unless they choose to be employees by entering into an agreement that provides that they are such. This includes production work for video games as well but not for programs initially intended for television. The amendment aims to provide clarity and certainty about the status of workers in the film industry and removes courts' authority to reclassify independent contractors as employees despite the type of work agreement. In most other sectors, New Zealand courts have the authority to determine the nature of the work agreement between employer and employee regardless of the type of contract entered into.

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. The New Zealand Department of Labour is responsible for enforcement of laws governing work conditions. Unions have the right to organize and collectively bargain. The proportion of union members in the total employed labor force is roughly 17 percent. The New Zealand Council of Trade Unions is the umbrella organization for 350,000 union members in 40 affiliated unions. Work stoppages continue to decline. Ten work stoppages ended in 2012, consisting of six complete strikes, three partial strikes and one lockout. The 10 stoppages involved 5,179 employees, a loss of 78,589 person-days of work and an estimated NZD13.6 million loss in wages and salaries. The year-on-year trend indicates a decrease in the number of work stoppages.

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 13.50 (US$11.07) per hour. The new entrants and training minimum wage is NZD 10.80 (US$8.86) per hour.

17. Foreign Trade Zones/Free Ports

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

18. Foreign Direct Investment Statistics

For the quarter ending September 2012, New Zealand's direct investment abroad (stock) was NZD 23.77 billion, up NZD 654 million from the same quarter in 2011. Total foreign direct investment (stock) in New Zealand was NZD 98.88 billion, an increase of NZD 4.6 billion. As a percent of GDP, New Zealand's investment abroad and foreign investment in New Zealand was 17.18 percent and 71 percent respectively. (Note: Real GDP for the same time period was NZD 138.35 billion and is expressed in 1995/96 prices.) Australia remains New Zealand's largest investment partner; it accounts for 51 percent of total New Zealand investment abroad and 51 percent of total foreign investment in New Zealand. Together with Australia, the United Kingdom and the United States make up New Zealand's three biggest investment partners.

Direct investment in the United States is 18 percent of New Zealand's direct investment overseas, and the United States is the source of 14 percent of total foreign direct investment in New Zealand. As of the year ending March 2012, the value of New Zealand's direct investment in the United States was NZD 4 billion (an increase of 5.95 percent from the Mar 2011 year), and the total value of U.S. investment in New Zealand was NZD 10.3 billion (down 7.5 percent from the Mar 2011 year).

U.S. investment in New Zealand is concentrated in the telecommunications, forestry, transportation, food processing, and electronic data processing sectors. Increasingly U.S. investments are going into petroleum refining and distribution, financial services, information technology, and biotechnology. New Zealand primarily invests abroad in the financial and insurance industry and manufacturing. For reference purposes, NZD 1 roughly equals USD 0.86 (December 2013).

19. Point of Contact

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