

# WORLD TRADE ORGANIZATION

RESTRICTED

**G/STR/W/15**

26 March 1996

(96-1070)

**Working Party on State Trading Enterprises**

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## REPLIES TO QUESTIONS FROM THE UNITED STATES<sup>1</sup> ON THE ARTICLE XVII NOTIFICATION OF NEW ZEALAND<sup>2</sup>

The following communication, dated 7 March 1996, has been received from the Permanent Mission of New Zealand.

1. A list of the New Zealand Dairy Board's 82 subsidiary companies and 26 joint ventures is available, on request, from the New Zealand delegation. This information is drawn from the Board's Annual Report 1994/95.

With respect to how the Board's relationships with its subsidiary and joint venture companies affect trade, because the Board is a fully commercial operation its subsidiary and joint venture operations follow the lines of private sector companies. They are intended to provide a presence in the market-place and further the Board's market development objectives. As such, they represent a long-term commitment by the Board to specific markets. Such operations are intended to increase New Zealand's exports and value-added over time. We do not see them as affecting trade in any other way. In circumstances where market access is restricted by tariff quotas, such as in the US market, subsidiaries and joint ventures are involved in acquiring and using licences on the same basis as other domestic agents. In an open market, exporters can deal directly with end users. That is not so in restricted markets where normal market conditions do not prevail. These activities were highlighted in the US General Accounting Office Report of 29 September 1995 on cheese imports.

2. A copy of the New Zealand Apple and Pear Marketing Board's "Guidelines for Consent to Export Apples and Pears" is available, on request, from the New Zealand delegation. These guidelines include reference to the relevant section of the New Zealand Apple and Pear Marketing Act. The key criteria of the guidelines is that the proposal increases the total net income of New Zealand export supplies. Any decisions taken in relation to proposals for consent to export may be reviewed upon request, and the applicant may also seek judicial review through the courts.

3. Export prices for New Zealand's marketing boards are determined by supply and demand forces in the international market-place. In the case of dairy products, market prices are also partly determined by the substantial depressing effects of the large-scale export subsidy programmes operated by several of the major economies, including the United States. Given the cooperative nature of the marketing boards concerned, returns to producers reflect the pooling of export prices less marketing and operational

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<sup>1</sup>G/STR/W/10.

<sup>2</sup>G/STR/N/1/NZL.

costs. In the long run, domestic prices will follow international prices. But taking a comparison at any particular time will inevitably see some variance with world prices, whether for seasonal reasons, quality differences or, in some cases, simply due to the small size of domestic demand which makes local prices more variable.

In relation to the Hop Marketing Board, we would point out that the scale of this operation needs to be put in perspective. The Hop Marketing Board represents the interests of the 25 New Zealand hops producers located in one part of the country (Motueka). This small cooperative takes what prices it can secure on what is a very thin world market. We do not expect that domestic prices will always match world prices. The New Zealand raspberry industry is also very small in export terms. Total exports amounted to only 186 tonnes at NZ\$800,000 f.o.b. in 1994.

While the Hop Marketing Board and the Raspberry Marketing Council have powers to control domestic supply, their activities - like those of the other marketing boards - are not subject to any operational control by the Government. Thus, it is not easy to explain how prices are set. We would emphasize, however, that in New Zealand the marketing boards operate behind little or no tariff protection. Domestic prices in the long run will inevitably reflect world prices - that is what happens with open borders and no government subsidies. Against this background, we believe that the New Zealand marketing boards fully meet the Article XVII requirement that they operate solely in accordance with commercial considerations. Without protection or government support, they cannot do otherwise and remain viable commercial operations.