NEW ZEALAND

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BACKGROUND: The former British colony of New Zealand is one of the Asia-Pacific region’s most prosperous countries. In the 2017 general elections, no party succeeded in winning a parliamentary majority, and Prime Minister Jacinda Ardern’s center-left Labor Party was able to return to power. Far-reaching deregulation and privatization since the 1980s have largely liberated the economy. Agriculture is important as are manufacturing, tourism, and a strong geothermal energy resource base. Ongoing trade tensions between the U.S. and China are of special concern to New Zealand, which relies heavily on China for export revenue.
The overall rule of law is very well respected in New Zealand. The country’s property rights score is above the world average; its judicial effectiveness score is above the world average; and its government integrity score is above the world average.

Traditionally high business freedom veered in the other direction during the COVID-19 pandemic as the government adopted a more top-down approach. Flexible labor regulations facilitate a dynamic labor market, increasing overall productivity. The most recent available inflation rate is 3.9 percent.

The top individual and corporate tax rates are, respectively, 39 percent and 28 percent. The tax burden equals 32.2 percent of GDP. Three-year government spending and budget balance averages are, respectively, 41.0 percent and –3.8 percent of GDP. Public debt equals 50.8 percent of GDP.

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The trade-weighted average tariff rate is 2.3 percent, and more than 200 nontariff measures are in force. Openness to global trade and investment is firmly institutionalized. The financial sector is well developed and offers a wide range of services. Banking is well established and competitive.