

# AMCHAM NEWS

## American Chamber of Commerce in New Zealand

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### TPP first round talks

From the US Chamber of Commerce

USTR has confirmed that the meetings in Australia were very productive. Talks focused on the architecture of the agreement and the schedule for moving forward with negotiations. USTR was encouraged that no red flags were raised by any parties and no initial request for exclusions were tabled. Negotiators were also impressed with the preparation done by officials on creative ways to deal with the horizontal issues of regulatory coherence, transparency, and competition policy.

Reports were positive on Vietnam's participation and willingness to stay engaged in the negotiations. A good sign of this is that the Vietnamese negotiators reportedly asked for help from the United States and others to bolster their technical understanding of the negotiation principles in preparation for the next round.

The negotiators discussed expanding membership of the TPP, but didn't come to any conclusions. The parties agreed to wait until the second round of negotiations to formalize the rules for joining the agreement and identifying which new countries would be welcome to join. We know from various reports, mostly public, that Malaysia, Thailand, and Canada are among the countries considering early entry to the agreement. Japanese officials have repeatedly signalled their interest in joining the TPP, but we do not expect to see an official position from the Japanese government until after the upper house elections in July.

The next round of negotiations will be held in June in California. The plan is for countries to begin offering draft text at this round, although with decisions not yet finalized on architecture issues we expect this to be a slow process.

### Outreach in Washington

The coalition of associations working on the TPP have been meeting with administration and congressional staff to discuss the business community's negotiating objectives. As expected, we are facing difficult politics on the Hill, specifically with regard to the House Trade

Working Group lead by Congressman Mike Michaud of Maine. I have attached a [letter](#) from the group sent to Ambassador Kirk outlining its objectives for the TPP agreement. Public Citizen, a left of center advocacy organization in Washington long associated with Ralph Nader, is working closely with Michaud's office and the Trade Working Group.

In addition, we expect there will be difficult discussions ahead on a range of agriculture issues in which the United States holds defensive interests. A group of 30 Senators signed a [letter](#) to Ambassador Kirk singling out dairy concerns in the TPP negotiations. We expect similar statements issued by other sectors such the producers of catfish, shrimp, sugar, and beef.

The Chamber's role in the months ahead will be to continue consulting with USTR on the policy objectives we would like to see pursued in the agreement and working on education and outreach with members of Congress.

### TPP trade talks raise concern in US

A group of 30 US Senators have written to President Obama with concerns over "anti-competitive practices in New Zealand's Dairy Industry. Fonterra have rejected this - <http://www.nbr.co.nz/article/fonterra-rejects-us-free-trade-fears-120468> and Trade Minister Tim Groser said the senators were influential.

"We should make no mistake about it -- this is a very powerful lobby we're taking on," he said. It was "palpable nonsense" to say Fonterra created an unfair market because it competed internationally like every other company. "It's a very, very politicised argument, trying to suggest that somehow New Zealand doesn't play it fair when any person who looked at it objectively would reach exactly the opposite conclusion".

John Ballingall, deputy chief executive of the NZ Institute of Economic Research, responds to a recent Bernard Hickey comment piece on the perils of a free trade deal with the US: "NZ, the US and trade liberalisation: don't panic!" [http://www.nzherald.co.nz/trade/news/article.cfm?c\\_id=96&objectid=10634537](http://www.nzherald.co.nz/trade/news/article.cfm?c_id=96&objectid=10634537)

(Continued on page 2)

### Index

2010 USTR National Trade Estimate	2
US Launches National Export Initiative	2
Annual Wellington Reception	2
US Ambassador in Christchurch.	2
Key findings from FTA Exporter Survey	3
Award winning NZ Entrepreneur to visit NY	3
Global Enterprise Experience	3
NZ Immigration Update	3
<b>FROM NZTE</b>	
US Consumer Insights Seminar	4
US Canada brace for significant food recall	4
Opportunities for NZ firms in US Techbridge program	4
NZTE Annual Program & Workshop in Washington	4
Other News briefs	5
NZ Organics at California Expo	6
NZECO assisting Pacific Trade	6
NZVCA Events	6
Int'l. Investors could bypass NZ unless we sort out red tape	6
From NZ Bio	6
<b>TRADE / BUSINESS / INVEST</b>	
Commercial News USA	6
<b>TRAVEL</b>	
Business Travel7	7
Security Update	7
<b>MEMBER NEWS</b>	
Congratulations	8
People on Move	8
<b>EVENTS &amp; SERVICES</b>	
US NZ CONNECTIONS NZ	8
OSAC Symposium	8
NY I Love You—Film	8
<b>GENERAL</b>	
Controlled Foreign Corporations	9



(Continued from page 1)

### 2010 USTR National Trade Estimate

USTR's 2010 National Trade Estimate report is out. AmCham's Trade Committee will be reviewing this in the coming weeks and will hold a meeting to discuss the report and the TPP trade talks. [http://www.ustr.gov/uploads/reports/2010/NTE/2010\\_NTE\\_New\\_Zealand\\_final.pdf](http://www.ustr.gov/uploads/reports/2010/NTE/2010_NTE_New_Zealand_final.pdf)

### US launches National Export Initiative

US President Barack Obama has launched a National Export Initiative (NEI) to promote US products overseas.

The National Export Initiative (NEI) is aimed at improving the private sector's ability to export, and to help meet President Obama's goal of doubling exports over the next five years.

"Creating jobs in the United States and ensuring a return to sustainable economic growth is the top priority," President Obama said in a statement.

"A critical component of stimulating economic growth is ensuring that US businesses can actively participate in international markets by increasing their exports of goods, services, and agricultural products. Improved export performance will, in turn, create good high-paying jobs."

An Export Promotion Cabinet, which includes the secretaries of state, treasury, agriculture, commerce and labour has been established to co-ordinate and implement the NEI. The goals of the NEI include:

- ◆ Enhance export assistance to SMEs, including programs that improve information and other technical assistance to first-time exporters
- ◆ Increase the availability of export credit to SMEs
- ◆ Develop a framework for promoting services trade, including the necessary policy and export promotion tools
- ◆ Promote federal resources currently available to assist exports by US companies

"The NEI will help meet my Administration's goal of doubling exports over the next five years by working to remove trade barriers abroad, by helping firms, especially small businesses, overcome the hurdles to entering new export markets, by assisting with financing, and in general by pursuing a Government-wide approach to export advocacy abroad," President Obama said.

Source: *The White House Press Office*

C. Fred Bergsten of the Peterson Institute for International Economics feels that the Presidents trade initiatives are a good start. <http://www.piie.com/publications/opeds/oped.cfm?ResearchID=1520>

Other comments in the media: **U.S. Nears a Crossroads on Trade** <http://www.nytimes.com/2010/03/11/business/11trade.html>

The democrats have also made several new appointments with Rep. Sander Levin (D., Mich.), has been named House Ways and Means Committee chairman. The Ways and Means panel, one of the most influential in Congress. According to the Wall Street Journal Mr. Levin's strategy of withholding support for trade agreements unless trading partners agreed to tough labour and environmental protections has been criticized by business interests, but applauded by U.S. labour unions.

House Ways and Means Committee Democrats has named Rep. John Tanner (D-TN) as the acting chairman of the subcommittee on trade, a move the subcommittee's ranking member and business sources said could result in the subcommittee pursuing a more "pro-trade" agenda than that pursued by its previous chairman, Rep. Sander Levin (D-MI) according to Inside US Trade.

In the weeks ahead, the **US Chamber** will be scheduling meetings with key congressional offices to talk about the importance of trade to U.S. economic growth and jobs. In particular, we will reach out to freshman House and Senate offices to talk about the pending free trade agreements, export promotion, and the TRADE Act, among other issues.

### Annual Wellington reception

The AmCham board held their annual Wellington meeting on 4<sup>th</sup> March followed by a reception for members and government officials. Several MP's and other dignitaries attended the reception along with US Ambassador David Huebner who spoke about his interests in education, youth, research, science and technology, and IP

At the reception the Ambassador presented **Jose Manuel Estrada**, Managing Director of **Colgate-Palmolive Limited** with a plaque recognising over 25 years of membership of AmCham.



L-R: Mark Fitz-Gerald; Jose Manuel Estrada; Ambassador Huebner

AmCham would like to thank **Greg Cain** and the **Minter Ellison Rudd Watts** team for again hosting this **MinterEllisonRuddWatts** LAWYERS important reception.

### US Ambassador visits Christchurch

Ambassador Huebner recently spent several days in Christchurch meeting with key business, education and civic leaders. AmCham held a reception for the Ambassador to meet companies doing business with the USA and guests heard the Ambassador speak about his interests in education, youth, research, science and technology, and IP

AmCham would like to thank **John Hodge** and **the Ernst & Young** team in Christchurch for hosting the reception.



(Continued on page 3)

Logistics for  
the future NOW



(Continued from page 2)

## Key findings from the FTA Exporter Survey

A survey conducted by the Ministry of Foreign Affairs and Trade with NZTE has found that nearly 75 percent of respondents expect a modest to substantial increase in profitability from the removal of trade barriers.

The *FTA Exporter Survey Report* was conducted to gauge a business response to doing trade with New Zealand's current and emerging FTA markets: Hong Kong, India, Korea, current TPP member states (Chile, Singapore, Brunei) and potential future TPP member states (the United States, Peru, Vietnam, Australia).

The online survey was completed by 236 New Zealand export companies. Over 70 percent of respondents said they expected a modest to substantial increase in business efficiency from the removal of the barriers to trade and investment in their export markets. Australia and the United States were identified by 71 percent of the respondents as their top export markets by the *FTA Exporter Survey Report*. Hong Kong, Singapore, India and Korea were also identified as key export markets.

84 percent of respondents saw themselves as goods exporters, while only 32 percent saw themselves as service exporters.

The survey found that approximately two-thirds of respondents were subject to a tariff in their export markets. More than 50 percent of respondents identified insufficient protection of intellectual property rights as a key barrier to trading and investing in overseas markets.

Restrictions on forming partnerships or joint ventures and requirements on needing local partners were identified by more than one third of the respondents as being a barrier trade and investment.

Over 80 percent of respondents identified the lengthiness of obtaining visas and work permits as a key impediment faced by staff based overseas.

The *FTA Exporter Survey Report* identified computing services, business services (accounting, legal, consultancy, etc) and engineering services as the top service export categories. In contrast to the survey, official statistics show that New Zealand's services exports are dominated by travel and transportation.

[Read the full report.](#)

## Award winning New Zealand Entrepreneur to visit New York:

23 year old Reuben Metcalfe from Wellington, is off to represent New Zealand as a winner for the Goldman Sachs 'Global Young Entrepreneur of the Year' award. Reuben arrives in New York on the 10th of April to meet with 29 other entrepreneurs representing 13 countries to receive his award in the 'Emerging entrepreneur' category, for his Social enterprise "Free Procurement," A Business Service Brokerage based in Wellington and looking to expand nationally in the near future. This is the first time New Zealand has been represented at the award.

"It's a huge honour to be able to wave the flag for innovation in New Zealand" says Reuben, who is looking for companies both in New Zealand and America that are capable of, and interested in

exporting abroad.

Above and beyond my business," Says Reuben, "It's also a great opportunity to communicate the value propositions on the behalf of would-be exporters, who might otherwise find it difficult to get the right contacts and dialogue necessary to get traction in a foreign country."

A consummate networker, Reuben is looking to meet anyone who's interested in foreign trade, but also anyone in the areas of Entrepreneurship Education, Venture Capitalism, or innovation-based business new to the market-place and looking to expand.

For those interested, Reuben can be contacted directly on +6421 032 7998, or [reuben@freeprocurement.co.nz](mailto:reuben@freeprocurement.co.nz)

## Global Enterprise Experience

New Zealand, United States and Colombia form the backbone of the Global Enterprise Experience which links participants from 57 countries into global teams with the aim of developing global leaders. Over three weeks multinational teams develop a business concept proposal communicating via the web.

Most enrollees are MBA or final year international business students although there are also other disciplines and business employees who want to develop their skills to manage global teams across cultures, timezones, world views and levels of wealth and poverty. There is still time to enrol on [www.geebiz.org](http://www.geebiz.org) if you are interested in gaining this experience.

Sponsorship is also welcomed. Benefits include access to top graduates around the world, press coverage in 10 countries and national dailies, and a key role in the prize giving at New Zealand's parliament that attracts leaders from business, government, academia and the diplomatic missions. Please contact Deb Gilbertson on [deb@windeaters.co.nz](mailto:deb@windeaters.co.nz) or 04 589 5011 to explore if the Global Enterprise Experience can support your organisation's goals.

## NEW ZEALAND IMMIGRATION UPDATE

### Silver Fern Policies

Immigration New Zealand recently announced the release of a new group of work policies, called Silver Fern work policies. These are due to take effect from 27 April 2010 and enable applicants aged between 20 and 35, who have formal qualifications, English ability and experience, to come to New Zealand to find employment and/or gain practical experience. The scheme is limited to 300 places per annum, and demand is expected to be high. Applications will be made online through Immigration New Zealand's website.

There are two policies being introduced; the Silver Fern Job Search Policy and the Silver Fern Practical Experience Policy. It is important to note that partners and dependent children are not eligible for the usual dependent visas and permits under these categories, and therefore must meet those requirements on their own merit.

### Immigration Adviser Licensing - Offshore

New Zealand has been progressively implementing a licensing regime for the giving of immigration advice, in relation to New Zealand. The third and final phase of the implementation is about to be completed, and from 04 May 2010 anyone who is providing

(Continued on page 4)



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(Continued from page 3)

immigration advice in relation to New Zealand must be licensed to do so with the Immigration Advisers Authority. This includes anyone who is usually based outside of New Zealand; such persons are currently subject to optional licensing requirements however licensing will become compulsory from May in line with those based in New Zealand. Note that these rules also apply to employers and recruitment consultants

### Retirement Policies

The New Zealand Government has recently announced new Retirement policies, aimed at those of any age with family ties to New Zealand or those aged over 65 who have funds available for investment. There are two new policies in relation to retirees; the Temporary Retirement Category and the Parent Retirement Category.

These categories offer a new option for those either with or without family in New Zealand, who have funds available for investment. It provides some flexibility and opportunities for people to have their parents join them in New Zealand without having to wait several years for sponsorship requirements, then a further processing time of several years.

Applicants must be aged over 65 for the temporary category, and be able to invest NZD750,000 for two years. Note there are no familial ties to NZ required for the temporary category (valid for two years each application), however for permanent residence the applicant(s) must have an adult child who resides in NZ as a citizen or permanent resident and meet 'centre of gravity' test. Permanent residence does not have any age restriction, but does require an investment of NZD1million for four years. Both categories require an additional NZD500,000 of settlement funds (i.e. net assets able to be liquidated) and an annual income of NZD60,000 at time of application.

Information provided by Karen Justice, Licensed Immigration Adviser No 20800190. Any queries can be forwarded to Karen at [kjustice@fragomen.co.nz](mailto:kjustice@fragomen.co.nz)

## FROM NEW ZEALAND TRADE AND ENTERPRISE

### US Consumer Insights – Understanding the Market Imperative: Sustainability, Quality and the US Consumer

AUCKLAND: Monday 12 April 2010 – 9am – 11am

CHRISTCHURCH: Wednesday 14 April 2010 – 9am – 11am

**SPEAKERS:** Linda Cox and Kirk Cornell, The Hartman Group

Understand what is important to U.S. consumers, whether and why they buy products with a "green" or "sustainable" component, how New Zealand is perceived as a supplier of products to the U.S. and what helps trigger U.S. purchases of food and beverage items, natural products, interior textiles and wool apparel.

This two-hour session will elaborate on U.S. 'high-end active lifestyle' consumers and examine connections with 'core' sustainability consumers. The two presenting experts, from leading US consumer research and consulting firm The Hartman Group, will also provide a forward looking view on key issues and make

recommendations on effectively marketing to U.S. consumers.

This builds and extends upon research commissioned by NZTE last year conducted by The Hartman Group and delivered through a series of webinars. These seminars will look toward future trends and examine the relationship between 'core sustainability' consumers and those interested in the 'luxury/high end active lifestyle'.

The seminars will include time for questions from participants. To register email: [thehartmangroup@nzte.govt.nz](mailto:thehartmangroup@nzte.govt.nz) Fax: (03) 372 7501 - attention Angela Foubister. Post: Angela Foubister, NZTE, PO Box 468, Christchurch 8140 Enquiries: Call Alison Foreshaw on (04) 816 832

### US, Canada brace for significant food recall

The US Food & Drug Administration and the Canadian Food Inspection Agency are recalling food products containing the hydrolyzed, vegetable protein (HVP) that could be contaminated with salmonella.

HVP is a flavour enhancer used in a wide range of processed foods, including dips, salad dressings, potato chips, sauces, hotdogs, soups and frozen dinners.

The tainted protein has been traced to Basic Food Flavours, Inc. a Nevada based company. All HVP manufactured since September is included in the recall, which equates to millions of kilograms of the additive that were distributed to foodmakers in both countries over a five month period.

Over 50 products have been recalled in Canada and over 150 in the United States.

To date there have been no reported deaths or illnesses.

[Information on products recalled in the US.](#) [Information on products recalled in Canada.](#)

Source: US Food & Drug Administration, Canadian Food Inspection Agency

### Opportunities for kiwi firms in US Techbridge programme

Opportunities exist for New Zealand companies to participate in a US based business accelerator programme *Techbridge*.

*Techbridge* is run by the *Chesapeake Innovation Centre* (CIC) and focuses on connecting commercial partners with US Government end users in the homeland security, intelligence, defence and communications space.

The *CIC* sources and screens early stage technology companies and connects those that match the desired criteria to a valuable network of industry leading partners in these sectors.

"Our partners and member companies are able to offer significant advancements in the areas of informatics and physical and cyber security technologies by creating a bridge between major users of security technology and small companies at the forefront of innovation," the *CIC*'s website says.

A fact sheet posted on the *CIC*'s website states that member

(Continued on page 5)



Supporting Amcham

(Continued from page 4)

companies have raised over US\$100 million in venture capital and corporate finance, and generated contracts worth approximately US\$300 million.

The CIC is governed by a board of directors and is a wholly owned subsidiary of the Anne Arundel Economic Development Corporation.

Applications for the 26 March Techbridge session to be held in Washington, DC should be submitted by 5 March, and applications for the 19 May session should be submitted at least two weeks prior to the session.

Applicants should fall into one of three portfolio strategy areas:

1. **Security** - location based technology, high-grade network security, high-grade authentication/identification, wireless security, high-grade information assurance, self-organising networks, CCTV signal intelligence, user assurance, C4ISR, sensors (CBRNE, IED, and WMD)
2. **Informatics** - data handling and fusion of enormous quantities of data that is multi-lingual, multi-media, multi-source data, which would include data manipulation, mining, visualisation, intelligent agents, prioritisation, pattern matching, entomology detection, tactical pre-filtering, cognitive processing, interpretation and distribution
3. **Massive Data Requirements** – high volume/speed data collection, high speed computing, semantic, ontological or graph database architectures, and advanced power supplies.

Source: Chesapeake Innovation Center

For more information on Techbridge and application procedures contact:

Robert Cunningham, Jr Business Development Manager Email: [robert.cunninghamJr@nzte.govt.nz](mailto:robert.cunninghamJr@nzte.govt.nz)

## NZTE Annual Programme and Workshop May 5-6, 2010 Washington, DC

US Federal, State and local markets – where can your company play best.

Please join us for this exciting two-day event designed to provide expert information and insight on market requirements and opportunities for your business to grow and succeed in the US public sector.

Dialogue with in-market experts, see best practices in action, participate in technology demonstrations, and benefit from networking opportunities.

### DAY ONE: Wednesday, 5 May

**The US Federal Market** (including sessions on US major funding programmes, R&D grant opportunities, US Foreign Comparative Testing Program (FCT), and how to work with veteran-owned companies.)

9am - 4.30pm - Programme Sessions 7pm - Networking Dinner

### DAY TWO: Thursday, 6 May

**US State and Local Markets** (including sessions on identifying opportunities; working at a state and local level; preparedness, recovery and response (Federal Emergency Management

Association or FEMA); and use of social media.)

9am - 4.30pm - Programme Sessions 6pm - Networking Reception at the New Zealand Embassy

**Friday, 7 May** presents additional opportunities for individual business meetings, and technology and product demonstrations.

### REGISTRATION:

Registration is now open. Please click the link below to register for the event:

<http://www.formspring.com/forms/?913519-bvdLEH1Qg0>

**The deadline for registration is 12 April 2010. COST:** The cost is NZ\$800 for the two-day event.

**Further information on the agenda, speakers, hotel rates, and networking events may be found at:**

<http://www.linkedin.com/groupRegistration?gid=2777400&sharedKey=270EA840D457>

## OTHER NEWS BRIEFS

### NZ-US army exercises to resume after 23-year freeze

[http://www.nzherald.co.nz/politics/news/article.cfm?c\\_id=280&objectid=10630535](http://www.nzherald.co.nz/politics/news/article.cfm?c_id=280&objectid=10630535)

### US backing for oil and gas exploration

[http://www.nzherald.co.nz/business/news/article.cfm?c\\_id=3&objectid=10629142](http://www.nzherald.co.nz/business/news/article.cfm?c_id=3&objectid=10629142)

### Ecostore hits the big time in the Big Apple

<http://www.scoop.co.nz/stories/BU1003/S00320.htm>

### Pumpkin Patch should see gain from smaller US presence

<http://www.nbr.co.nz/node/119399>

### Aquaflow breaks into US market

<http://www.nzte.govt.nz/features-commentary/Success-stories/Pages/Aquaflow-breaks-into-US-market.aspx>

### Making it big overseas

Auckland-based software company XM Developments proves that two guys can still make it big from a garage <http://unlimited.co.nz/unlimited.nsf/growth/making-it-big-overseas>

### Lockheed gets US\$100 million NZ army contract

<http://www.nbr.co.nz/node/119646>

### Bennett to take up US fellowship

Social Development Minister Paula Bennett has accepted a six-week leaders fellowship which will take her to the United States towards the end of the year. <http://www.nbr.co.nz/node/119818>

### Navman Wireless bonds with Google

<http://www.nbr.co.nz/navman>

### Early stage financing in the US made easier

<http://www.nzte.govt.nz/explore-export-markets/Export-Intelligence/Pages/Early-stage-financing-in-the-US-made-easier.aspx>

### GE Capital brings insurance premium funder to NZ

<http://www.nbr.co.nz/node/120886>

(Continued on page 6)

**bulletPR**

PUBLIC RELATIONS

*Other Business News (Continued from page 5)*

**NZ organic products at California Expo**

From – Organics NZ

Auckland-based producer of certified organic essential oils, Absolute Essential, is one of 14 New Zealand companies that will showcase their products at the Natural Products Expo West in Anaheim, California later this month. They will be on display at the NZTE stand at the Expo, from March 12-14.

Absolute Essential's therapeutic plant oils are organically certified and New Zealand made. The company was founded in 1988 by Dr Bo Hendgen, an aromatherapist, osteopath and naturopath. All of its materials are fully researched and sourced globally to meet strict quality and ethical requirements.

Other New Zealand exhibitors include MJ Health, a Palmerston North base company which produces certified organic skincare products, Simunovich Olive Estate, Comvita and Fonterra.

**NZECO Assisting Pacific Trade**

If you have buyers in the Pacific Islands requiring repayment terms on open account we may be able to assist. Additionally, engineering and infrastructure projects in the Pacific, including Guam, may require the NZECO bonding guarantees. [Read on](#)

 **Events**

- 19 April - Private Equity & Venture Capital Monitor Full Year 2009 - Auckland
- 21 April - Best Practice for Responsible Investing - Auckland
- 27 April - Private Equity Boot Camp – Auckland
- 29 April - Private Equity & Venture Capital Monitor Full Year 2009 - Wellington

**International investors could bypass NZ unless red tape sorted out**

<http://www.scoop.co.nz/stories/BU1003/S00189.htm>

**From NZBio – [www.nzbio.org.nz](http://www.nzbio.org.nz)**

**BIO International Convention 2010: Heal, Fuel. Feed the World, 3-6 May 2010 | Chicago, USA**

There are still places available to participate in the New Zealand Delegation to BIO 2010! [Click here](#) for more information about the delegation, or contact [Colleen McTague](#) For more information about BIO International Convention 2010 visit <http://convention.bio.org>

**Pre-BIO Derby Day with Indiana - hosted by Indiana & AusBiotech**

**Thursday 29 April - Sunday 2nd May 2010 | Indiana, USA**

Under our MOU with AusBiotech, there is an opportunity for New Zealand companies who are participating in the NZ Delegation to BIO to take part in this fantastic pre-BIO Event in Indiana.

The program provides an opportunity for New Zealand companies to promote their partnership, alliance, licensing, expansion and investment opportunities to the Indiana life sciences cluster and see the most historic horse race in the USA before heading to BIO in Chicago.

Supported by Eli Lilly, Lilly Ventures, Clarian Health Ventures, Roche, Dow Agrosiences, Biocrossroads, Indiana Health Industry Forum, Cook Medical, Cook Pharmica, Baxter, Purdue, Indiana University School of Medicine, Notre Dame, and many other outstanding institutions

Come and have a pitch to potential partners and investors in Indiana and a punt down in Louisville, Kentucky, at the Derby. For more information, and to register, please see the [attached PDF](#).

**New Zealand's leading bioscientists were celebrated at 6th annual NZBIO Conference Awards.**

Three hundred New Zealand and international guests attended the NZBIO 2010 Awards Dinner. Sponsored by AgResearch,

The world's first Contract Development and Manufacturing Organization dedicated to improving animal health has received the 2010 NZBIO Emerging Company of the Year Award. **Argenta** works with both large multi-national pharmaceutical companies and smaller start-up firms worldwide to develop innovative products to improve the health of animals. This innovation driven company is proudly located in New Zealand and supplies animal health products and services to 59 countries globally.

Argenta's subsidiary, AlcheraBio is a clinical services provider, based in the USA. Together, they offer the full range of contract services - from discovery (R&D), including clinical trial and regulatory stability and submissions, right through to commercial product manufacture.

John McEwan of AgResearch received the 2010 Ross Clark Distinguished Biotechnologist of the Year Award, supported by PALL Life Sciences. This award is presented to a leader in their field whose utilisation of biotechnology during their career has contributed significantly to improving quality of life. The Award is named in memory of the late Ross Clark, who received the 2008 Distinguished Biotechnologist of the Year Award.

Dr Wayne Patrick of Massey University is the 2010 NZBIO Young Biotechnologist of the Year. This award is supported by the Ministry of Research, Science & Technology and presented to a scientist under the age of 40 whose work demonstrates the potential for future leadership in biotechnology. The prize for this award includes participation in the MoRST Scientific Delegation to the 2010 Bio International Convention in Chicago, Illinois.

**TRADE, BUSINESS and INVESTMENT OPPORTUNITIES**

**Commercial News USA**

The March-April issue of Commercial News USA, the official export promotion magazine of the U.S. Department of Commerce, is currently online at [http://thinkglobal.us/pdf/2010\\_03\\_mar\\_apr.pdf](http://thinkglobal.us/pdf/2010_03_mar_apr.pdf)

Trade Events in the USA <http://www.buyusa.gov/newzealand/en/usevents.html>

See also [www.exporthyellowpages.com](http://www.exporthyellowpages.com)



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## BUSINESS TRAVEL

News, views and information for Amcham business travellers from **Grant Bevin**, Managing Director Business World Travel.

Business World Travel is a member of the American Express Travel Service Network.

**Navigate around JFK:** Travellers to New York might well want to consider avoiding JFK and choosing flights to La Guardia or Newark instead. JFK's longest runway, from which half of its take-offs traditionally depart from, has just closed for repairs which are expected to take 4 months. Difficult days ahead are expected for JFK travellers and airlines alike, during the runway closure. Average delay time at JFK is already one hour, when all runways are operating normally!

**New Membership Rewards partner:** Air New Zealand has returned as a member of American Express Membership Rewards programme. The conversion factor is 175 MRs for 1 Airpoint dollar. Singapore Airlines, Cathay Pacific, Qantas, Thai and Malaysia Airlines are also all conversion partners – and converting your Membership Rewards to these airlines provides some of the best value. In particular we convert a lot of clients' Amex Membership Rewards to Singapore Airlines Silver Kris Frequent Flyer programme – where in some cases you can pick up discounted reward flights through the Saver Award levels (half the standard award cost). These latter airlines have a change of conversion factor from 01 May 2010, from 1 MR = 0.6 airline point, to 2 MR points = 1 airline point. Convert your points prior to then to get the optimal value.

**Discounted Air New Zealand Business Class:** Air NZ has given us seats to sell at a discount on flights Auckland to LAX. Purchase your tickets by 15 April for flights departing between 23 April and 30 June 10; with flights normally ranging between NZ\$9200 and NZ\$11,500 return to LAX, the fare provides some reasonable savings at \$8800 return (add about \$130 for taxes). Ask one of our Business Travel Consultants will check availability for you.

**Popular incentive for staff or client rewards:** The Bledisloe Cup returns to Melbourne on 31 July, and to Sydney 11 September 2010. This year also think about the Socceroos vs All Whites in Melbourne on 24 May 2010). The 24 May All Whites Melbourne fixture has made Melbourne very full – so sign up to one of our packages soon! Call Sally Smith at [BWT-Groups / Incentives / Events](mailto:ssmith@bwt.co.nz) to shift your team! ([ssmith@bwt.co.nz](mailto:ssmith@bwt.co.nz) Tel. 0800-508 580)

**Qantas announces LAX and NYC plan:** Qantas will replace its 6 x Boeing 747-400 Auckland to Los Angeles flights with a daily Airbus A330-200 aircraft, effective July. Five times each week the aircraft will continue on from LAX to New York JFK, giving New Zealand business travellers the only same plane service to New York. This aircraft will have 36 Skybed Business Class seats (angled lie-flat), and 199 Economy Class seats in a 2-4-2 configuration. Economy travellers enjoy having just 2 seats on the window side, unlike the Boeing 747s and 777s which usually have 3 seats abreast against the windows. No Premium Economy Class on this aircraft 'at this time', so get in quickly to take advantage of Qantas's astounding and popular offer on their 747s where they're using two rows of Business Class Skybeds for Premium Economy Class (and at the lower Premium Economy fare). This deal may only be around until July. On the Sydney to Auckland route, Qantas will remove their 767s and fly the new 737-800s four times daily plus the bigger Airbus A330 once daily.

**Business World Travel wins prestigious award:** Our Auckland office has won the No.1 Agency of the Year 2009/10 for the First Travel Group. First Travel Group is a cooperative of over 50 privately owned travel agencies and travel management companies, and is the leading high yield travel agency network for most major airlines and hotel groups out in New Zealand. Congratulations to our Team!

## TRAVEL

### US Service Security Update

US sites to see for updated information visit [www.dhs.gov](http://www.dhs.gov) and [www.safetravel.govt.nz](http://www.safetravel.govt.nz)  
<http://www.tsa.gov/travelers/index.shtm>

Check out our website at [www.bwt.co.nz](http://www.bwt.co.nz)

Reviewing your Corporate Travel? Call our Team:

Jane Higgie Business World Travel Wellington 04-470 6044 [jhiggie@bwt.co.nz](mailto:jhiggie@bwt.co.nz)

Grant Bevin Business World Travel Auckland 09-529 3700 [gbevin@bwt.co.nz](mailto:gbevin@bwt.co.nz)

**BUSINESS  
WORLD TRAVEL**



MEMBER NEWS	EVENTS & SERVICES
<p><b>Meat &amp; Wool New Zealand announces name change</b>  <a href="http://www.scoop.co.nz/stories/BU1003/S00660.htm">http://www.scoop.co.nz/stories/BU1003/S00660.htm</a></p> <p><b>Major US marketing award for export strategy paper</b>  <a href="http://www.massey.ac.nz/massey/about-massey/news/article.cfm?marticle=major-us-marketing-award-for-export-strategy-paper-12-02-2010">http://www.massey.ac.nz/massey/about-massey/news/article.cfm?marticle=major-us-marketing-award-for-export-strategy-paper-12-02-2010</a></p>	<p>20<sup>th</sup> April <b>Deborah Wince-Smith, President of the US Council on Competitiveness</b> – "The Innovation Imperative". 4.30-6.30 at Baldwins, Auckland</p> <p>29<sup>th</sup> April Talent Management: how do we keep our best and brightest and how do we attract the best talent from abroad – panel with <b>Rod Oram, Gareth Chaplin, the Chief Economist for NZ Trade and Enterprise &amp; Paul Kennedy</b>, CEO of Student Job Search, 4.- 5.30pm</p> <p>27<sup>th</sup> May <b>U.S. Ambassador David Huebner</b> lunch in Auckland.</p> <p>9<sup>th</sup> June <b>Brian Gallagher, Global CEO of United Way</b>, lunch, Auckland</p> <p>16<sup>th</sup> Sept <b>Annual Success and Innovation Awards Dinner</b> at Hyatt Regency Auckland</p>
<p><b>Congratulations to:</b></p> <p><b>David Taylor</b> on his appointment as New Zealand's next Ambassador to Indonesia. AmCham would like to thank David for all his assistance during his time as Director of the Americas Division at <b>MFAT</b>. <b>Nigel Moore</b> will be the acting Director.</p> <p><b>Cathy Quinn</b>, the chair of legal firm <b>Minter Ellison Rudd Watts</b>, has been named as the 2010 winner of the <b>Veuve Clicquot</b> business-woman of the year award</p>	<p><b>US NZ CONNECTIONS IN NEW ZEALAND</b></p>
<p><b>People on the move</b></p> <p><b>Mathew McKay</b> and <b>Jenny Stephens</b> have been named as Partners at <b>Bell Gully</b></p> <p><b>Warwick Hawker</b> has been appointed as Director of the Auckland office of the <b>Ministry of Foreign Affairs &amp; Trade</b> taking over from <b>Michael Chilton</b> who is retiring.</p> <p><b>GE Capital</b> has named <b>Aaron Baxter</b> as managing director of <b>GE Money, New Zealand</b>. He takes over from <b>Greg White</b>, who is returning to Australia to a new role as managing director of retailer solutions at GE Capital Australia and New Zealand.</p> <p><b>Professor John Raine</b>, the former Deputy Vice-Chancellor Auckland &amp; International Massey University has moved to <b>AUT University</b> as Pro Vice-Chancellor (Innovation and Enterprise) and Head of School of Engineering</p> <p><b>Vivien Maurice</b> has been appointed as a Director of <b>Minter Ellison Rudd Watts</b></p> <p><b>Jasen Crompton</b> has left <b>Regus PLC</b> to join <b>NZ Post</b>.</p> <p><b>Stacey McGoldrick</b>, Country Manager for <b>Verizon Business New Zealand</b> is back from Maternity leave. <b>John Karabin</b> has taken over as Managing Director Australia &amp; New Zealand from Ron Gauci.</p> <p><b>Joanna Croskery</b> is the new Country Director for NZ for <b>Johnson &amp; Johnson Medical</b> with <b>Anthony Bishop</b> moving to Australia as General Manager Ethicon Endosurgery/ASP for <b>Johnson &amp; Johnson Medical Pty Ltd</b></p> <p><b>Chris Hourigan</b> is the new <b>Country Lead</b> at <b>Janssen Cilag Pty Limited</b></p> <p><b>David Anderson</b> has been appointed by <b>Mercer</b> to the role of Managing Director and Market Leader for Australia/New Zealand.</p> <p><b>David J. Peck</b> is the new Director of Operations <b>USG Australasia</b>.</p> <p><b>Mitre 10 New Zealand</b> has appointed American <b>John Hartmann</b> as its new Chief Executive.</p> <p><b>Cam Wallace</b> has been appointed as General Manager, Australia for <b>Air New Zealand</b>. <b>Jeff McDowall</b> will assume responsibilities for the Distribution markets in NZ and <b>Scott Carr</b> will take over as General Manager.</p>	<p><b>OSAC New Zealand 2010 Security Symposium - ****postponed****</b></p> <p>The 2010 Security Symposium has regrettably been postponed however a meeting of the Executive Working Group is taking place on 21<sup>st</sup> April to work on a new date.</p> <p>Membership of OSAC New Zealand is <b>free</b> for US companies and provides members with advices of Special Notices re security warnings, threat analysis and other security advisory services. For more info on OSAC see <a href="http://www.ds-osac.org">www.ds-osac.org</a> (there is also a New Zealand county specific site at this website) or contact OSAC New Zealand Secretariat, Mike Hearn on tel: 09-309-9140 or email <a href="mailto:mike@amcham.co.nz">mike@amcham.co.nz</a></p> <p><b>Kiwi Expat Association</b> – <a href="http://www.keanewzealand.com">www.keanewzealand.com</a></p> <p><b>American Club – Auckland</b> <a href="http://www.americanclub.org.nz/">http://www.americanclub.org.nz/</a></p> <p><b>American Women's Club – Auckland</b> <a href="http://www.awcauckland.com">www.awcauckland.com</a></p> <p>Mindy Anne has taken over as President of the AWC from Jean Stewart.</p> <p><b>New Zealand-American Association – Wellington</b>  <a href="http://www.nzaa.org.nz">www.nzaa.org.nz</a></p> <p><b>Wanganui New Zealand American Association</b>  <a href="mailto:donnarush@clear.net.nz">donnarush@clear.net.nz</a></p> <p><b>American Women's Network – Wellington</b> <a href="http://www.awn.co.nz">www.awn.co.nz</a></p> <p><b>American Club of Christchurch</b> – <a href="http://www.american-club-chch.org">www.american-club-chch.org</a></p> <p><b>NEW YORK I LOVE YOU - FILM COMING TO NZ CINEMAS 6<sup>th</sup> May</b></p> <p>In the city that never sleeps, love is always on the mind. Those passions come to life in NEW YORK, I LOVE YOU (rendition of 2006 PARIS, JE T'AIME) - a collaboration of storytelling from some of today's most imaginative filmmakers and featuring an all-star cast. Together they create a kaleidoscope of the spontaneous, surprising, electrifying human connections that pump the city's heartbeat. Sexy, funny, haunting and revealing encounters unfold beneath the Manhattan skyline. From Tribeca to Central Park to Brooklyn, the story weaves a tale of love as diverse as the very fabric of New York itself.</p>



## GENERAL

### Controlled foreign corporations – from the United States and New Zealand perspectives

By Gina M Wallace CA PP and John M Carr CPA

#### Introduction

With the ease in which companies can be incorporated now, the situation of having an individual in one country with an interest in a corporation located in another country is occurring more and more often.

This appears to happen more frequently now due to the number of people who relocate between countries for whatever reason, including immigration.

Generically speaking a 'controlled foreign corporation', or 'CFC', is a corporation of a country that has an element of ownership or control by shareholders who are resident (and in the case of the United States shareholders, includes United States citizens) of another country.

For example, a United States citizen or resident who is the 100% shareholder of a company he/she incorporated in New Zealand, has a CFC.

CFCs have traditionally been used to shelter offshore income and investments from taxation in the country of residence of the shareholders. This was possible by delaying the repatriation of funds to the country of residence of the shareholders, thus delaying the taxation of the offshore income in the country of the shareholders' residence.

Using the above example, if the New Zealand company derives income, in the absence of CFC rules under United States tax law, the United States citizen would not have to declare the income from the New Zealand company in his/her United States income tax return(s).

To protect their tax bases, the United States and New Zealand require in some situations that certain types of income from a CFC be attributed to its shareholders in their country of residence as if the income was earned directly by the shareholders. This removed the advantage of being able to time the liability to taxation in the country of residence of the shareholder.

#### United States tax law applicable to United States shareholders of CFCs

Under United States tax law a foreign corporation is a CFC if more than 50% of its total voting power or value is controlled by US shareholders.

US shareholders includes all types of entities (domestic US corporations, trusts, estates) in addition to citizens and residents.

Categories of income known as 'Subpart F income' are required to be attributed to the CFC shareholders if the foreign corporation is a CFC for an uninterrupted period of 30 days or more during the tax year. In addition, the attribution is only required if the shareholder is

a shareholder on the last day of the CFC's tax year.

Subpart F income includes all insurance income, foreign base company income, boycott income, illegal payments and income from countries not diplomatically recognized by the United States government.

#### United States disclosure requirements: Form 5471: Information Return of U.S. Persons With Respect to Certain Foreign Corporations

Any interest that meets the definition of CFC to its US shareholders under United States tax law requires a disclosure of that interest. Form 5471 is required to be furnished to the IRS annually for the foreign corporation's annual accounting period. The form is made up of a series of schedules. Depending on the filing category of the shareholder of the CFC, varying levels of disclosure are required. The hierarchy of filing categories ranges from a shareholder that has acquired a 10% shareholding in a foreign corporation to a shareholder who held shares for at least 30 days or more during any tax year of the foreign corporation. Accordingly, the requirements of form 5471 apply to more foreign corporations than just CFCs.

The maximum disclosure requires, amongst other things, an income statement and balance sheet to be prepared using United States generally accepted accounting practice (GAAP). This is even where financial statements are not prepared under GAAP in the foreign country. Other requirements include schedules of transactions with shareholders and related parties made during the year.

#### New Zealand tax law applicable to New Zealand tax residents who are shareholders of CFCs

Under New Zealand tax law, a CFC is a foreign company that is controlled by shareholders who are New Zealand tax resident. This also includes non-individuals (companies, trusts, estates).

Section EX 1 of the New Zealand Income Tax Act 2007 sets out the tests for control which define a CFC as follows:

##### *Tests of control*

(1) A foreign company is a **controlled foreign company (CFC)** if any of the following tests are met:

(a) there is a group of 5 or fewer New Zealand residents whose total control interests in the company are more than 50% in any one of the control interest categories:

(b) a single New Zealand resident holds a control interest of 40% or more unless at the same time—

(i) another person also holds a 40% or more control interest in the same control interest category; and (ii) the other person is not a New Zealand resident;

and

(iii) the other person is not associated with the New Zealand resident:

*(Continued on page 10)*

(Continued from page 9)

(c) there is a group of 5 or fewer New Zealand residents who can control the exercise of the shareholder decision-making rights for the company and, as a result, control the company's affairs.

Up until the enactment of the Taxation (International Taxation, Life Insurance and Remedial Matters) Act in September 2009 (the Act), income derived by CFCs of NZ tax residents was not required to be attributed to those shareholders if the CFC was located in a country that was on the 'grey list' - a list of eight countries including the United States. The exemption applied unless the grey list CFC had taken advantage of certain tax concessions under New Zealand tax law known as 'Part B concessions'.

The passing of the Act in 2009 aimed to make New Zealand more competitive globally and included changes to the New Zealand CFC regime. Those changes form part of the first stage of a major reform of New Zealand's international tax landscape.

The major change for the CFC regime is that income from CFCs that meets an 'active business test' is no longer required to be attributed to shareholders.

The active business test requires that less than five percent of the CFC's gross income is passive income as defined (broadly, interest, rents, royalties and certain dividends). The basis for performing the test is either audited financial statements prepared using New Zealand equivalents to International Financial Reporting Standards (NZIFRS) or New Zealand generally accepted accounting practice (GAAP) or the tax basis. Other requirements apply in order to satisfy the active business test.

Income derived by a CFC from personal services which are not essential support for a product supplied by a CFC are still required to be attributed.

CFCs held in Australia are generally exempt from the new CFC requirements. Provided the CFC is subject to tax in Australia there is no requirement to attribute income. The rationale for this change was that many small to medium enterprises (SMEs) do not have the resources to apply the CFC rules and the active business test, yet SMEs are likely to use Australia as the first country for offshore expansion.

Many more rules exist under the new New Zealand CFC rules in order to determine what categories of income are attributable and whether the income must be attributed.

For more information on CFCs for either New Zealand or the United States please contact Gina Wallace or John Carr.

## Marketing Opportunities for Members

Don't forget members have the opportunity of:

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Use us for your Event management

Advertising in our monthly newsletter

Direct mail or fax marketing to members

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