

GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

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THE NEW ZEALAND-AUSTRALIA FREE TRADE AGREEMENT

Information Furnished to GATT by the Member States

1. The New Zealand-Australia Free Trade Agreement was examined by the CONTRACTING PARTIES at the twenty-third session of the GATT held in April 1966.¹ The CONTRACTING PARTIES invited Australia and New Zealand to report further on the formation of the free trade area and the first report² on action taken since the Agreement came into operation on 1 January 1966 was submitted at the twenty-fifth session in November 1968 and noted by the CONTRACTING PARTIES. This second report is based on that presented at the twenty-fifth session and covers action taken up to the end of 1969.

2. Trade between Australia and New Zealand since the Agreement came into force in terms of total trade and Schedule A trade is summarized in the following tables:

TABLE 1

Year	New Zealand imports from Australia \$NZ million	Australian imports from New Zealand \$A million	Schedule A as a percentage of total trade
1965-66 Schedule A	54.8 CDV	39.1 f.o.b.	
Total	135.1	46.8	49.9
% Schedule A	40.6	83.5	
1966-67 Schedule A	54.7	37.4	
Total	142.9	47.2	46.9
% Schedule A	38.3	79.2	
1967-68 Schedule A	58.7	45.8	
Total	132.3	61.8	53.2
% Schedule A	44.4	74.1	
1968-69 Schedule A	69.8	49.5	
Total	156.9	74.8	51.1
% Schedule A	44.3	66.1	

¹BISD, Fourteenth Supplement, page 22.

²L/3104.

TABLE 2

Growth in Schedule A and Total Trade

Australian and New Zealand trade	1965/66	1968/69	% increase
	(\$ million)		
Schedule A	93.9	119.3	27.05
Total trade	181.9	231.7	27.37

Although New Zealand exports to Australia under Schedule A show a decline as a percentage of New Zealand's total exports to Australia this was largely a result of the marked increase in total New Zealand exports to Australia over the past two years. Much of this was new trade in products not previously exported to Australia and outside the scope of Schedule A. However, of the \$74.8 million New Zealand exports to Australia in 1968/69, \$58.1 million or 77.7 per cent of total exports to Australia entered Australia duty free or under Schedule A where the duties are in the process of being eliminated.

3. Under Article 4(2) the elimination of duties on goods included in Schedule A of the Agreement (the Schedule of goods to which its free trade provisions apply) is carried out in accordance with the following formula:

- (a) where duties do not exceed 5 per cent they are eliminated on addition to Schedule A;
- (b) duties exceeding 5 per cent but not exceeding 10 per cent are phased out in two stages - one half on addition to the Schedule and the remainder two years later;
- (c) duties exceeding 10 per cent are eliminated over a period of eight years from the time they were added to the Schedule in five equal two-yearly steps.

4. In terms of this Article all goods included in Schedule A when the Agreement came into force on 1 January 1966 and which attracted duties not exceeding 10 per cent became duty free (at the latest) on 1 January 1968. Duties on goods exceeding 10 per cent, will have been reduced by 60 per cent by 1 January 1970. In some cases duties have been eliminated completely under Article 4(6) which allows a more rapid phase-out.

5. In terms of Article 3 of the Free Trade Agreement products traded between the two member States and not yet listed in Schedule A have been subjected to annual joint reviews for the purpose of including additional products in Schedule A.

The following agreed procedures were adopted: joint nomination lists of products for Schedule A were drawn up and advertised approximately nine months before the dates on which the goods were to be added to the Schedule. Consultation procedures with the industries concerned in each country were provided for including examination by the tariff boards where necessary. The final lists of products for addition to the Schedule were then agreed upon by the member States.

6. Additions resulting from three such reviews have now been made to the Schedule - the first review additions on 1 January 1968, the second review on 1 January 1969 and the third review additions on 1 July 1969. The change to a 1 July addition date has been made primarily to bring Schedule additions into line with the trade year in both countries. It will also ease the administration of the Agreement by removing the work involved in Schedule A addition from the annual vacation period at the end of the year. Additions under the fourth and subsequent reviews will be normally made on 1 July each year. Where tariff enquiries on products are necessary addition will be effected as soon as practicable after a decision has been made to include the goods concerned.

7. Approximately 270 items in terms of the New Zealand tariff have been added to Schedule A in the three reviews. Based on the latest available statistics, the total trade value of these additions is approximately \$6.5 million. Following negotiations a further sixty-one items from the third annual review are to be added to the Schedule on 1 January 1970. The total trade value of these items is approximately \$5 million.

8. A further list of fifty-four products nominated by the member States under the fourth review was advertised on 6 November 1969 for addition to Schedule A on 1 July 1970. The total trade value of these nominations is about \$1 million. Examinations are being carried out of further groups of products with a view to Schedule A inclusion under the fifth and subsequent reviews.

9. Article 3(7) of the Agreement, which provides for special measures beneficial to the trade and development of each member State and which is designed to further the objectives of the Agreement, continues to be used to liberalize trade in goods which it is not yet practicable to include in Schedule A. Under Article 3(7) goods to a specified level may be traded under concessional entry approved by each member State. At the beginning of November 1969 after a little over two years of operation, the value of combined trade between New Zealand and Australia approved under this Article for the two years stood at approximately \$9 million.

10. In the first report on the Agreement submitted at the twenty-fifth session information was given on steps taken to promote a harmonious and mutually beneficial expansion of trade in forest products between the member States in accordance with the objectives of the Agreement. Since that report was made letters have been exchanged between the member States recording arrangements to facilitate increased trade within the area in newsprint, woodpulp, and packaging papers. The arrangements on newsprint and packaging papers provide a framework within which commercial interests in each member State can come to mutual

agreement on increased trade. The question of woodpulp is under consideration by the Australian Tariff Board.

11. Following its inaugural meeting on 13 June 1968 the Joint Consultative Council on Forest Industries, which was established not only to help achieve a mutual trade expansion but to promote the most efficient use of the combined forest resources of both countries, has been continuing its study of these resources. The surveys have now almost reached completion and the Council is considering terms of reference for working parties to examine specific aspects of the industry.

12. In the four years since the Agreement came into force there has been a marked expansion in total trade between the member States. The Agreement has been a prime factor in bringing about this expansion both in goods within and outside Schedule A.

13. More generally progress made under the Agreement has stimulated economic co-operation within the area both at Government and commercial levels. This development is in the spirit of the objectives of the Agreement and reflects, along with the expansion in trade between the two countries, the influence of the Agreement and the progress being made in moving towards the attainment of a full free-trade area.