

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 first 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. The Second Report³ was submitted to the GATT Council in January 1970, and the Third Report⁴ in March 1971. At its meeting on 7 March 1972 the Council agreed⁵ to a time-table by which contracting parties of a regional agreement would be invited to submit a biennial report on the agreement concerned. The Fourth Report⁶ was therefore submitted to the GATT Council in April 1973, and the Fifth Report⁷ in July 1975. This present Report covers action taken in the two years to December 1976.

2. Trade between Australia and New Zealand since the Agreement came into force is summarized in the following tables:

¹BISD, Fourteenth Supplement, page 22.

²L/3104.

³L/3309.

⁴L/3502.

⁵L/3682.

⁶L/3854.

⁷L/4192.

Total Australian/New Zealand Trade

Year ending June	Australian imports from New Zealand \$A million	Australian exports to New Zealand \$A million	Total two-way trade \$A million
1967	45.3	177.4	224.7
1972	112.3	277.1	389.4
1973	130.0	325.9	455.9
1974	168.1	449.1	617.2
1975	183.9	529.3	713.2
1976	250.5	455.3	705.8

Source: Australian Bureau of Statistics.

Schedule A Trade¹

Year ending June	Australian imports from New Zealand		New Zealand imports from Australia		Total two-way trade ²	
	Schedule A imports	Schedule A as a % of total	Schedule A imports	Schedule A as a % of total	Schedule A	Schedule A as a % of total
	\$A million		\$NZ million (CDV)		\$A million	
1967	37.4	79.1	54.7	38.3	92.1	46.9
1972	72.9	64.9	127.0	47.6	199.9	52.7
1973	74.8	57.5	140.5	44.3	215.3	49.0
1974	102.0	60.7	225.7	50.3	327.7	53.7
1975	112.0	60.9	297.1	59.1	409.1	59.6
1976	172.2	68.7	341.4	66.4	459.0	67.2
			(\$A 286.8)			

¹For both countries, goods on Schedule A at the close of the period have been treated as if they were scheduled for the whole year; irrespective of the date of addition.

²Until mid-1975 the fluctuation in the rate of exchange between the New Zealand and Australian dollar was insignificant and the exchange rate used for purposes of comparison was \$A 1 = \$NZ 1. For the year ending June 1976 the rate used was \$A 1 = \$NZ 1.1903.

Source: Australian Department of Overseas Trade and New Zealand Department of Trade and Industry.

3. Since the Agreement has come into force, the total value of trans-Tasman trade has shown an average annual growth of approximately 13.5 per cent. In the year ending June 1974, the beginning of the period under review, total two-way trade was valued at \$A 617.2 million and rose to \$A 706 million in 1975/1976. In the year ended June 1974, total Schedule A trade was valued at \$A 327.7 million, and this had risen to \$A 459 million in the year ended June 1976. Schedule A trade as a percentage of total two-way trade has grown from 47 per cent in 1966/1967 to 67 per cent in 1975/1976, which represents an average annual growth of about 19.6 per cent. It is estimated that some 75 per cent of total two-way trade in 1975/1976 was covered by Schedule A and by arrangements agreed under the terms of Article 3:7 (see paragraph 7), and that some 83 per cent of the total trade between the two countries was duty free.

4. In September 1976 New Zealand and Australian Ministers met to review the development of NAFTA. As this was the first formal NAFTA Ministerial Meeting since the change of government in each country, Ministers considered it appropriate to reconfirm the determination of both Governments to maintain and develop the special trade and economic relations between Australia and New Zealand, and agreed that NAFTA provided the framework for furthering this relationship. Ministers noted that the Agreement had been of particular value to manufacturers. The bulk of the trade flow was in manufactured goods and each country is the other's best market for these goods. This situation was expected to continue. They agreed that NAFTA was now a proven and valuable instrument and, accordingly, the minimum life of the Agreement should be extended for ten years to 31 December 1985. This would enable industry in both countries to plan on an assured long-term basis.

5. Various methods of facilitating the addition of goods to Schedule A were examined during the period under review, but it has not been considered appropriate to make any alteration to existing procedures up to this time. Work is therefore to continue to identify additional products to be considered for inclusion in Schedule A of the Agreement using established procedures.

6. Under the terms of Article 3:3 of the Agreement, products traded between the two countries and not yet listed in Schedule A had, until 1973, been the subject of annual joint reviews for the purpose of adding products to the Schedule. In 1973 it was decided to hold these reviews biannually. As a consequence there were two reviews in 1974 which resulted in two lists of additions on 1 January 1975; two reviews in 1975 and two reviews in 1976 which resulted in lists of additions being announced on 1 July 1975, 1 January and 1 July 1976. The list of goods added to Schedule A on 1 July 1975 included certain types of tufted and axminster carpet. The value of this two-way trade in 1975/1976 was approximately \$A 16 million.

7. Article 3:7 of the Agreement provides for special measures beneficial to the trade and development of each member State and is designed to further the objectives of the Agreement. Under this Article, goods which it is not yet practicable to include in Schedule A may be traded under concessional entry approved by each member State. In 1975/1976 trade approved under Article 3:7 arrangements was valued at approximately \$A 56 million. Ministers agreed in September 1976 that to assist industry to plan operations on a longer-term basis, approvals for this trade would in future be considered for up to three years instead of the single year approvals previously granted. Renewal after three years would be subject to consideration by the two governments of the possibility of moving goods into Schedule A or Schedule B.

8. In 1973, new schedules known as Schedules B, C and D were established. Schedule B, designed to provide an intermediate position between the traditional form of inter-firm arrangements under Article 3:7 of NAFTA and trade under Schedule A, has recently become operative. Arrangements were completed during the period covered by this report for the inclusion of luggage and furniture in the Schedule. Two-way trade for the first year of operation is between \$A 2.5 and \$A 3 million. It is still too early to accurately gauge its contribution in expanding trade between the two countries. Preparation of Schedules C and D which list, without commitment or reciprocity, those goods not included in Schedule A which either do or could enter duty free into Australia and New Zealand respectively, was suspended for technical reasons.

9. In accordance with the objectives of NAFTA an Interim Agreement between Australia and New Zealand was concluded on 7 May 1973 to provide for continuation of preferential tariffs after the United Kingdom's entry into the EEC. These preferential rates accorded to the United Kingdom and Commonwealth countries had been based on the respective trade agreements between New Zealand, Australia and the United Kingdom. During the period covered by this report the Interim Agreement was extended on two occasions, the later extension continuing its operation until 31 March 1977.