

# GENERAL AGREEMENT ON TARIFFS AND TRADE

RESTRICTED

L/3502

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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.<sup>1</sup> The CONTRACTING PARTIES invited Australia and New Zealand to report further on the formation of the free-trade area and the First Report<sup>2</sup> 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 Report<sup>3</sup> was submitted to the GATT Council in January 1970. This Third Report covers action taken up to the end of 1970.

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

Table 1

#### AUSTRALIAN AND NEW ZEALAND TRADE - 1969/70

	<u>Total</u>	<u>Schedule A</u>	
	\$ million	\$ million	% of total
New Zealand imports from Australia	197.1	95.8	48.6
Australian imports from New Zealand	86.4	54.0	62.5
Total Australia/ New Zealand trade	283.5	149.8	52.8

<sup>1</sup> BISD, Fourteenth Supplement, page 22

<sup>2</sup> L/3104

<sup>3</sup> L/3309

Table 2

GROWTH IN SCHEDULE A AND TOTAL TRADE

Australian and New Zealand trade	1965/66	1969/70	% increase
	\$ million	\$ million	
Schedule A	93.9	149.8	59.5
Total trade	181.9	283.5	55.9

The comparable percentage increases between 1965/66 and 1968/69 for Schedule A were 27.05 per cent, and for total trade 27.37 per cent. Of the \$283.5 million total trade between the two countries in 1969/70 \$210.4 million or 74.2 per cent comprised duty-free trade or trade where duties are in the process of being eliminated.

3. Total trade between New Zealand and Australia reached a record level in 1969/70. Australian imports from New Zealand reached a level of \$86.4 million, an increase of 15.5 per cent over the previous year, while New Zealand imports from Australia reached a level of \$197.1 million, an increase of 25.6 per cent. Since 1965/66 the total level of trade between the two countries has risen by an average of 11.7 per cent per annum.

4. Under the provisions of Article 4 of the Agreement duties under 5 per cent are eliminated on the addition of the goods to the Schedule, duties between 5 and 10 per cent are eliminated completely two years after addition, and where duties exceed 10 per cent they are eliminated by five equal steps resulting in complete elimination eight years after the addition. The beginning of 1970 saw the third reduction on those items included in 1966 which originally had duties exceeding 10 per cent and this can be assumed to have had some effect on increasing the trade in the Schedule A goods over the period.

5. In terms of Article 3 of the Agreement, products traded between the two countries and not yet listed in Schedule A have been subjected to annual joint reviews for the purpose of including additional products in the Schedule. Including additions made under the four annual reviews to date, scheduled items now total approximately 1,425 in tariff terms. Additions were made on 1 July 1970, when forty-six items involving a total trade value of about \$800,000 were included as a result of the fourth review and on 1 January 1971, when a further five items involving a total trade of about \$200,000 were added. The latter had been delayed from previous reviews because of the necessity to conduct detailed industry investigations. The fifth review joint nomination list has been made public in both countries. The nominated goods will be added to Schedule A on 1 July 1971 unless it can be shown that inclusion in any particular case would be seriously detrimental to an industry in either New Zealand or Australia. Nominations which are made by both industry and government in both countries are now being received for the sixth review.

6. Of particular significance regarding the future extension of free trade between the member States, both Governments in conjunction with their respective industries, are currently undertaking a study of the scope for a measure of rationalization between the motor vehicle industries of both countries with a view to promoting a greater volume of free trade in this sector. Motor vehicles represent one of the largest separate industry areas of dutiable trade between the two countries not already included in Schedule A. The total value of Australia/New Zealand trade in motor vehicles and parts was approximately \$31.9 million in 1969/70.

7. The Joint Consultative Council on Forest Industries has completed its report on the forest resources, consumption and production in the two countries, and this was published in May 1970.

8. 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 December 1970 the value of combined trade between New Zealand and Australia approved under this Article for the three years of operation stood at approximately \$20.4 million.

9. In the five years since the Agreement came into force there has been a marked expansion of trade between the two countries. This has taken place in goods both within and outside Schedule A and reflects the general effect of the Agreement in stimulating trade and greater economic co-operation both at government and commercial levels.