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GENERAL AGREEMENT ON TARIFFS AND TRADE

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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 Zealand² to report further on the formation of the free-trade area and the First Report³ 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 Report⁴ was submitted to the GATT Council in January 1970, and the Third Report⁵ in March 1971. At its meeting on 7 March 1972 the Council agreed⁶ to a timetable by which contracting parties of a regional agreement would be invited to submit a biennial report on the agreement concerned. The Fourth Report⁷ was therefore submitted to the GATT Council in April 1973, the Fifth Report⁸ in July 1975 and the Sixth Report⁹ in November 1977. This present Report covers action taken in the two years to December 1978.

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

⁸L/4589

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	47.3	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	250.8	455.0	705.8
1977	319.6	579.7	899.3
1978	360.1	585.0	945.1

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	79.2	54.7	38.3	92.1	46.9
1972	72.9	64.0	127.0	47.6	199.9	52.7
1973	74.8	57.5	140.5	44.3	215.3	48.2
1974	102.0	60.7	225.7	50.3	327.7	53.2
1975	112.0	60.8	297.1	59.1	409.1	59.6
1976	172.2	68.5	341.4	66.4	459.0	67.2
1977	215.4	67.2	419.3	58.9	567.2	61.9
1978	235.0	65.2	437.6	67.1	623.4	66.4

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. Since then the following exchange rates have been used:

Year ending June 1976 \$A 1 = \$NZ 1.1903

Year ending June 1977 \$A 1 = \$NZ 1.1918

Year ending June 1978 \$A 1 = \$NZ 1.1267

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

3. Since the Agreement came into force, the total value of trans-Tasman trade has shown an average annual growth of approximately 13 per cent. In the year ending June 1976, the beginning of the period under review, total two-way trade was valued at \$A 705.8 million and rose to \$A 945.1 million in 1977/78. In the year ended June 1976 total Schedule A trade was valued at \$A 459 million and this had risen to \$A 623.4 million in the year ended June 1978. Schedule A trade as a percentage of total two-way trade has grown from 47 per cent in 1966/67 to 66.4 per cent in 1977/78, which represents an average annual growth of about 19.4 per cent. It is estimated that some 74 per cent of total two-way trade in 1977/78 was covered by Schedule A and by arrangements agreed under the terms of Article 3:7 (see paragraph 6), and that some 80 per cent of the total trade between the two countries was duty free.

4. During the period, Australian and New Zealand Ministers continued to meet annually to review the progress of NAFTA. At their April 1978 meeting Ministers noted that exports of both countries had shown gratifying increases and reaffirmed that Schedule A of NAFTA represents the ultimate goal for goods traded between the two countries.

5. Under the terms of Articles 3:3 and 3:4 of the Agreement, products traded between the two countries and not yet listed in Schedule A are subject to regular reviews for the purpose of adding products to the Schedule. The reviews in 1977 and 1978 resulted in two lists of additions being announced in 1978. Of the list of goods added to the Schedule in that year the most significant were horticultural and agricultural machinery, certain travel goods and cutlery.

6. 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 1977/78 trade approved under Article 3:7 arrangements was valued at approximately \$A 80 million.

7. The Schedule B arrangement for furniture and furniture components has seen a growth in trade levels since it became operative in 1977. Two-way trade has increased from between \$A 2.5 million and \$A 3 million in 1977 to approximately \$A 3.5 million in 1978 and further increased levels of approximately \$A 6 million were negotiated for 1979. Schedule B was designed to provide an intermediate position between the traditional form of interfirm arrangements under Article 3:7 of NAFTA and trade under Schedule A, and has proved a successful basis for expanding free trade in furniture and furniture components between the two countries.

8. A formal agreement replaced the interim agreement concerning tariffs and tariff preferences¹ on 1 December 1977, and has an initial life of three years to 30 November 1980. Subject to certain safeguard provisions, when changes are being made to tariffs in the protected area each country maintains for the other a margin of preference in its tariff which is a minimum of whichever is the lowest of 15 per cent ad valorem, the margin operative at 31 January 1973, or the margin operative at 30 November 1977. However, in the non-protected area provided the other country has a trade interest the margin of preference is as a minimum whichever is the lowest of 5 per cent ad valorem, the margin operative at 31 January 1973, or the margin operative at 30 November 1977. Where there is little or no trade interest there is no obligation to extend a margin of preference. If either country wishes to depart from these undertakings, unless there are exceptional circumstances it is obliged to first consult with the other on request.

¹L/4589, paragraph 9