

GENERAL AGREEMENT ON

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TARIFFS AND TRADE

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AUSTRALIA-NEW ZEALAND CLOSER ECONOMIC RELATIONS TRADE AGREEMENT

Information furnished by the Parties to the Agreement

Communication from Australia

The following communication, dated 23 January 1989, has been received from the Permanent Mission of Australia with the request that it be circulated to contracting parties and that the matter be inscribed on the agenda of the Council meeting to be held on 8 February 1989.

Attached is a copy of a report by Australia and New Zealand on the operation of the Australia-New Zealand Closer Economic Relations Trade Agreement from 1 October 1986 to 30 September 1988. The report also covers the outcome of the comprehensive review of the Agreement conducted in 1988 and indicates that copies of the three protocols signed by the Prime Ministers of Australia and New Zealand and other relevant instruments arising from the Review (two copies attached) have been lodged with the Secretariat for the information of Contracting Parties.*

*Available for consultation in the Tariff Division, Room No. 2051.

The Australia New Zealand Closer Economic Relations - Trade Agreement (subsequently referred to as "the Agreement") was examined by the CONTRACTING PARTIES in October 1984 and it was agreed that the parties to the Agreement would report to the Council biennially on the operations of the Agreement until full free trade is achieved. This report covers the operation of the Agreement in the period 1 October 1986 to 30 September 1988, including implementation of its liberalisation provisions and the comprehensive review conducted in 1988.

Prior to the Agreement entering into force on 1 January 1983 some 80% of trans-Tasman trade was already free of tariffs and quantitative restrictions.

During the period under review, both countries implemented in accordance with the Agreement the fifth and sixth scheduled tariff cuts of at least 5 percentage points on the first of January 1987 and the first of January 1988. This completes the general program of tariff elimination provided for in the Agreement. Products for which tariffs remain to be removed by either country are those which are subject to modified arrangements under the Agreement.

Access is increasing as provided for in the Agreement with import restrictions on a range of products being abolished altogether because of limited use of exclusive access.

In addition, New Zealand's dismantling of its import licensing system on a global basis has resulted in an acceleration of the liberalisation program laid down in the Agreement. Import licensing for products not subject to industry plans was terminated from 1 July 1988. Australia too has removed tariff quotas for some products faster than required under the Agreement.

Since 1986 both countries have also agreed on liberalization programmes for apparel and steel, and accelerated liberalization programmes for footwear, motor vehicles and motor vehicle components.

The proportion of trade in goods originating in Australia and New Zealand which is free of restrictions is now close to 100%. In accordance with the Protocol on Acceleration of Free Trade in Goods which was signed by the Prime Ministers of Australia and New Zealand on 18 August 1988, all remaining restrictions will be removed by 1 July 1990 at the latest. In most cases programmes for the liberalization of the remaining restrictions have commenced. The major product groups involving both countries are apparel, footwear, motor vehicles and components and plastics. New Zealand is also liberalizing restrictions on certain other products including steel, textiles, synthetic carpet, rubber goods, wine, ceramics, wheat flour and margarine.

The application to trans-Tasman trade of all performance based export incentive schemes was phased out by 1987 in accordance with Article 9 of the Agreement. Arrangements for the removal of a wide range of non-performance based subsidies and incentives from 1 July 1990 at the latest were agreed in the Review of the Agreement.

Continuing progress was made during the period under review towards harmonisation relating to such matters as standards, technical specifications, testing procedures and domestic labelling. In the context of the 1988 Review arrangements were agreed for increased cooperation in this area; arrangements with the objective of increasing harmonisation of respective restrictive trade practices legislation, where appropriate, were also introduced.

The provisions of the Agreement dealing with dumping and subsidisation of imports have been utilised where necessary. Both parties have sought consultations during the investigation of a complaint and before the application of remedial action, in accordance with the provisions of the Agreement. In the period under review two anti-dumping/countervailing cases against New Zealand goods were accepted for formal investigation, of which one was terminated at the preliminary finding due to lack of a causal link. Provisional measures were imposed in respect of the other case, investigations on which were continuing as at 30 September 1988. Anti-dumping/countervailing measures were also imposed in respect of a further case, investigations on which had commenced prior to the period under review. In the same period seven anti-dumping/countervailing cases against Australian goods were accepted for formal investigation, of which one was withdrawn, two were terminated as not being justified, three resulted in definitive duties being imposed and one was subject to positive finding without application of retrospective duties. There were no new cases under investigation at 30 September 1988. No action was taken under Article 14 in respect of intermediate goods problems and no action has been taken or sought under Article 17 of the Agreement which provides for temporary safeguard action during the transition to free trade. It has been agreed that, from 1 July 1990 anti-dumping measures will not be applied in respect of goods originating within the free trade area and competition laws, amended as necessary, will apply to anti-competitive conduct affecting trans-Tasman trade in goods.

The trade performance of both countries is influenced by a variety of factors of both a general and product specific nature such as the international economic situation, movements in exchange rates, changes to domestic economic and industry policies as well as the liberalisation process under the Agreement. While the effects of individual factors are difficult to measure with any precision, both countries have benefited from improved access to each other's market since the Agreement entered into force. At the same time, however, general reductions in both countries' protective régimes during the period under review have provided increased trading opportunities for third countries.

Table I displays the growth in trans-Tasman trade since 1981.

Between 1982 and 1987 Australian exports to New Zealand increased from \$A1,104 million to \$A2,140 million, while imports from New Zealand increased from \$A716 million to \$A1,582 million.

New Zealand is Australia's third largest market (taking 5.7% of Australian exports in 1987) and the second fastest growing market, with exports in 1987 growing by nearly 40% over 1986 levels. New Zealand is Australia's largest market for manufactures, taking 17.7% of total exports of manufactured products in 1987, and the largest market for elaborately transformed manufactures (26.5% in 1987).

Australia is consistently one of New Zealand's three largest markets (taking 15.7% of New Zealand's exports in 1987). More particularly, it is New Zealand's largest market for manufactures (taking 36% of the total in 1987).

The Agreement provided in Article 22 for the two Governments to review its operation in 1988 and to consider the need for additional measures to achieve its objectives. In this regard in November 1987 the Australian and New Zealand Prime Ministers agreed that progress under the Agreement had exceeded expectations and that consideration should be given to arrangements which would advance the economic relationship more rapidly and on a more comprehensive basis.

In particular, the two Prime Ministers agreed that the two Governments would give consideration to accelerating the implementation of free trade in goods between the two countries, to extending the Agreement to the area of services trade, and to achieving greater harmonisation of the regulatory and competitive environment.

Following Ministerial negotiations in Christchurch in June 1988, the Australian and New Zealand Prime Ministers concluded on 18 August 1988 a comprehensive package of arrangements which accelerate the implementation of free trade in goods to 1 July 1990, five years ahead of the original timetable, and open a new chapter in the development of a closer economic relationship between the two countries.

The package comprises the following three Protocols:

- Protocol on Acceleration of Free Trade in Goods, which provides for free trade in all product sectors from 1 July 1990, the abolition of anti-dumping procedures for goods originating in the free trade area from 1 July 1990, and a further general review of the Agreement in 1992.

- Protocol on Trade in Services, which brings services, from 1 January 1989, within CER on the basis of clearly stated rules and provides arrangements to further liberalise trade between the two countries in the limited number of service industries not fully incorporated from the date of inception, 1 January 1989. Provision is also made for a review of the Protocol by the end of 1990 and regularly thereafter.
- Protocol on Harmonisation of Quarantine Administrative Procedures, which will result in additional harmonisation and co-operation in this field.

In addition, the package includes a number of other instruments which provide for increased cooperation and harmonisation in the policy and regulatory environment, i.e.:

- the harmonisation of business law and regulatory practices
- further cooperation and harmonisation of Customs policies and practices
- increased cooperation to achieve the elimination of technical barriers to trade
- support by the Australian Government for equality of opportunity for New Zealand in the government purchasing processes of Australian States
- the elimination of production bounties or like measures payable on exports to each other and the avoidance of financial support measures for domestic industries which have adverse effects on competition between the two countries
- the removal of export restrictions which have been maintained for protective reasons.

It has also been agreed that in the year ahead the Australian and New Zealand Governments will engage in discussions to explore the scope for an agreement on investment.

Arrangements have also been agreed to review the implementation of individual elements of the package as well as the general review of the Agreement to be conducted by the end of 1992.

Copies of the three Protocols signed by the Prime Ministers of Australia and New Zealand on 18 August 1988 and other relevant instruments arising from the Review of the Agreement have been provided to the Secretariat for the information of Contracting Parties.

The primary objective of the Agreement signed in 1983, the achievement of a full free trade area under conditions of fair competition, is now close to fulfilment well ahead of schedule. The majority of goods are already traded free of restrictions across the Tasman and liberalization programs have commenced for most of the remainder. When full free trade in goods is achieved from 1 July 1990 the original timetable will have been fulfilled five years ahead of schedule.

In addition the package of arrangements agreed as a result of the Review of the Agreement provides a comprehensive structure for the expansion of trade between the two countries in services, for increasing harmonisation of the commercial environment, and for enhancing the capacity of industry in both countries to compete in world markets.

Altogether the package represents a substantial contribution to the liberalisation of world trade and breaks new ground in developing an approach to the liberalisation of restrictions on trade beyond border controls. The Trade in Services Protocol in particular establishes an important precedent for the liberalisation of world trade in this sector.

In accordance with the decision of the CONTRACTING PARTIES of October 1984 concerning this Agreement, and appreciating the significance of the accelerated implementation of a total free trade agreement in goods between Australia and New Zealand that is the result of the 1988 Review of the Agreement, it is the opinion of the parties to the Agreement that this report fulfills their reporting obligations arising from the 1983 Agreement.

Australia and New Zealand are pleased to inform contracting parties that, in terms of Article XXIV:4 & 5 of the General Agreement, barriers to trade of third country exporters have decreased during the operation of the Agreement. Both countries have liberalized access opportunities at the MFN level. This demonstrates that liberalized access between participants in such kinds of trade agreements, can co-exist harmoniously with liberalized access for third country exporters.

TABLE I : TRANS TASMAN TRADE SINCE 1981

Total Two Way Trade
(Australian Exports and Imports)
\$Am

1981	1619.6
1982	1819.5
1983	1970.4
1984	2528.4
1985	2863.0
1986	2907.1
1987	3722.2

AUSTRALIAN TRADE WITH NEW ZEALAND

	EXPORTS		IMPORTS	
	\$Am	% Total Exports	\$Am	% Total Imports
1981	946.2	5.1	673.4	3.3
1982	1,103.5	5.2	716.0	3.1
1983	1,214.1	5.4	756.3	3.6
1984	1,547.4	5.9	981.0	3.8
1985	1,495.3	4.6	1,367.7	4.1
1986	1,539.4	4.6	1,367.7	3.8
1987	2,140.1	5.7	1,581.7	4.1

NEW ZEALAND TRADE WITH AUSTRALIA

	EXPORTS		IMPORTS	
	\$NZm	% Total Exports	\$NZm	% Total Imports
1983	1,078.2	13.3	1,422.8	19.5
1984	1,553.6	16.2	2,020.6	20.3
1985	1,890.4	16.3	1,893.2	17.3
1986	1,779.1	15.8	1,727.1	16.2
1987	1,906.5	15.7	2,251.7	20.1