

AUSTRALIA - NEW ZEALAND CLOSER ECONOMIC RELATIONS

(Statement by the Acting Prime Minister and Minister for Trade and Resources, the Rt. Hon. J.D. Anthony, C.H., M.P.)

I wish to advise the House that the Government has approved a comprehensive package of new arrangements to govern trans-Tasman trade under a closer economic relationship between Australia and New Zealand. These arrangements cover the most far-reaching economic undertakings that Australia has yet made in a bilateral agreement.

The Government's decision was taken following Cabinet consideration of a report on my meeting with the New Zealand Prime Minister, Mr. Muldoon, in Wellington on 28 October. At that meeting, Mr. Muldoon and I reached agreement on a number of variations to earlier proposals and agreed to put these to our respective Cabinets for endorsement.

New Zealand's acceptance of the new arrangements was announced by Mr. Muldoon on 1 November.

It is proposed that the formal signature of the Heads of Agreement for a new trade treaty will take place within the next few weeks, and the new arrangements will apply from 1 January 1983.

The decision by both governments to implement new trading arrangements completes a process of detailed study, consultation and negotiation which was formally launched after a meeting between the Prime Minister and Mr. Muldoon in Wellington in March 1980. A joint communique, issued by the two Prime Ministers was tabled in this House by the Prime Minister on 25 March 1980. That communique referred to the close relationship which had developed between Australia and New Zealand across a wide front, and said that an appropriately structured closer economic relationship would bring benefits to both countries and improve living standards.

The new arrangements give practical meaning to that view in respect of trade. They are a logical step forward in the series of trade agreements between our two countries which started with the preferential Trade Agreement of 1922, and led through to the New Zealand-Australia Free Trade Agreement of 1965 and the 1977 Agreement on Tariffs and Tariff Preferences.

The previous framework of agreements supported the development of a vigorous trade across the Tasman and recognised the fact that each country is the other's major export market for manufactures. By removing the remaining trade barriers, the new arrangements are expected to further expand this trade, with positive effects on production and employment.

Mr. Speaker. When he tabled the 1990 joint communique, the Prime Minister gave an assurance that there would be full consultation with interested parties, and that the details of any proposed new arrangements would be made public before substantive decisions were taken. In keeping with that commitment, on 4 June this year the Australian and New Zealand Governments released a report containing draft Heads of Agreement for proposed new arrangements to govern trans-Tasman trade under a closer economic relationships.

The main aim of these proposals was quite simply the gradual and progressive liberalisation of trade across the Tasman for all goods produced in either country. With this in view, there was provision for the phasing out of tariffs within five years of the commencement of an agreement. There was also provision for the progressive removal by New Zealand of import licensing and tariff quotas, by increasing access by 10 per cent a year in real terms, and completely eliminating these restrictions by 1995 at the latest. It was agreed that in the long term, there should not be export subsidies and incentives in trans-Tasman trade, and all performance-based export incentives were to be removed no later than 1987.

The draft Heads of Agreement released in June gave full details of proposed arrangements, but it is important to note that the proposals envisaged modified arrangements for a small range of goods. Some of these arrangements, such as those for dairy products and wine, were based on agreements reached between the respective Australian and New Zealand industries.

It is also important to note that the draft Heads of Agreement included provisions for consultations and safeguards to offset any unfair advantages which might arise from dumping, subsidisation or intermediate goods problems. There were also general safeguard provisions to cover any cases of severe material injury arising from the trade liberalisation process during the transition period of the agreement.

In addition, the draft Heads of Agreement covered such matters as rationalisation, Government purchasing, agricultural stabilisation and standards, all of which are significant in a free trading relationship.

After those draft proposals were released, Commonwealth Ministers and officials held extensive consultations with State Governments, national industry organisations and other interested parties throughout Australia.

These consultations showed that there was widespread support in principle in Australia for the objectives of the proposed new arrangements, that is, bringing about equality in trading opportunities and fair competition in trans-Tasman trade. There was a wide recognition also that the proposed arrangement will result in an improvement, over time, in the inequalities facing

Australian industry under NAFTA. At the same time, however, there was criticism of certain aspects of the draft proposals. The strongest criticism was directed at the proposed dates for the ultimate elimination in trans-Tasman trade of performance-based export incentives and import restrictions, by 1987 and 1995 respectively.

Taking account of reactions to the draft package, Mr. Muldoon and I tried, in the final phase of negotiations, to explore the scope for mutually acceptable modifications and improvements in the arrangements, consistent with the guiding principles and objectives of the closer economic relationship. While it did not prove possible to provide for earlier termination of export incentives and import restrictions, we reached agreement on the means by which certain measures would be modified to take account of Australian concerns.

It has been agreed that performance-based incentives available to exporters in trans-Tasman trade will be halved in 1985, with further reductions of 25 per cent in 1986 and 1987. This agreement does not preclude faster phase-down arrangements being established by the New Zealand Government as a result of its current review of future export assistance policy. Furthermore, I have been assured that Australia's concerns will be a major consideration of the New Zealand Government in their review.

On import restrictions, it has been agreed to double the minimum access levels applying under the liberalisation formula, from \$NZ200,000 to \$NZ400,000 in each item code/quota category. Further, it has been agreed that the 10 per cent a year real growth in access opportunities, generated under the standard liberalisation formula, will be increased to 15 per cent a year for all item codes/quota categories where access opportunities are below \$NZ1 million. This higher rate will apply until such time as access opportunities reach or exceed \$NZ1 million; after that, a 10 per cent growth factor will apply.

These modifications will result in a significant increase in access opportunities available to Australian exporters in the first year and will, of course, be compounded as New Zealand's import licensing regime is progressively liberalised under the new agreement.

It is important to recognise that both countries do not enter the exercise from equal positions, in terms of the nature and extent of protective and assistance mechanisms available to their respective industries. The industrial bases in each country also differ in their breadth and composition. For these and other reasons, it was necessary in the negotiations to strike a balance between achieving equality of opportunity and fair competition between the two countries as soon as possible and the need for gradualism in the trade liberalisation process to allow time for industries on both sides to adjust.

The Government is aware of suggestions that detailed studies are required to ensure that the proposed new arrangements carry no adverse implications for particular States, regions or industries. There have also been suggestions that special adjustment assistance may be needed. The Government does recognise the concerns underlying such proposals. It does not, however, consider that such measures are necessary. It is also satisfied that the new arrangements do not carry any significant adverse implications, either short or long term, for employment or regional activity. On the contrary, the overall impact is expected to be positive.

This is because the provisions of the new agreement, which will be the most comprehensive bilateral trade agreement ever negotiated by Australia, are designed to apply gradually, to minimise disruption and to provide for adequate safeguards. In addition special arrangements for modified programs have already been established, as I have stated, for industries which are regarded as particularly sensitive to increased trans-Tasman competition.

It must be recognised, however, that there are still sections of industry that feel concern over the possible impact of the proposed agreement on Closer Economic Relations. I believe the great majority of these fears can be clearly shown to be misplaced - indeed, it can be shown that without Closer Economic Relations, it would not be possible to find solutions for several existing inequities in trans-Tasman trade.

In the timber industry, for example, there are fears that the proposed agreement will lead to unfair competition from increased imports. The fact is under the proposed arrangements, there will be no change in duty and access provisions for trans-Tasman trade in sawn timber and plywood. Trade across the Tasman in these products has been duty-free and unrestricted since 1966. Without the proposed new agreement, moreover, there would be no redress of inequities such as New Zealand's exports incentives and lack of free access for other forest products. This applies to other sensitive areas, such as horticultural products.

Performance-based export incentives are probably the issue of greatest concern to the industry, and some people will probably be disappointed that it has not been possible to remove these even earlier. However, Australian industry will retain its existing right to take action against New Zealand imports where it can be shown that dumped or subsidised imports are causing or threatening material injury to an Australian industry. Some Australian industries, indeed, have already sought anti-dumping or countervailing action.

I do regret that such action has become necessary, particularly when it occurs in industry sectors where it had been hoped that industry-to-industry understandings could be

reached. Unfortunately efforts to come to understandings on sawn timber and plywood have not yet produced positive results. It is to be hoped that in the very near future, satisfactory joint industry undertakings can be reached.

I would hope that generally, any problems that might arise would be resolved through consultation, avoiding the need for resort to anti-dumping or countervailing action.

A number of other improvements and modifications have been agreed, in respect of aspects of export incentives and import restrictions, allocation of exclusive access, transitional safeguards, intermediate goods, government purchasing and a number of specific product issues. Overall, I believe that this agreement represents an outcome with which both sides should be well pleased. The decision to proceed puts both countries on the threshold of a new and most comprehensive trading arrangement. Both Australia and New Zealand can look forward to growing trans-Tasman trade, to the benefit of both their peoples, and they can look forward also through this agreement to the security that will come from a strengthened ability to contribute to the development of the region.

Around the world today, we see increasing trade restrictions threatening international economic growth, and inward-looking policies in many countries becoming the order of the day. It is timely, in these circumstances, to remind ourselves that the commitment we are making to trade and commercial expansion between Australia and New Zealand has the ability to add to wealth and employment for both our countries. If similar faith and vision can be displayed in forthcoming international forums where trading problems are to be dealt with, then we will be well on the way, I believe, to achieving the international economic recovery that we all seek so deeply.