

AUSTRALIAN RELATIONSHIPS

WITH

NEW ZEALAND

BY SIR FRANK HOLMES  
CHAIRMAN,  
NEW ZEALAND PLANNING COUNCIL



A PRESENTATION TO THE  
STUDY GROUP ON STRUCTURAL ADJUSTMENT  
CANBERRA, ACT. JULY 1978

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PRESENTED TO THE STUDY GROUP ON  
STRUCTURAL ADJUSTMENT, CHAIRED  
BY SIR JOHN CRAWFORD, CANBERRA, ACT.  
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## INTRODUCTION

During discussions held between the Prime Minister of Australia and the Deputy Prime Minister of New Zealand in March 1978, it was agreed that:

"in considering questions of assistance for the development of particular industries in which the other country would have an interest, each government should take into account the situation and prospects for the industries concerned in the other country. A consultative mechanism should be established to make possible full consultation between governments before decisions are taken on these questions . . . ."

This agreement by the Governments of Australia and New Zealand to consult one another before taking decisions on assistance for industrial development is the most recent of a number of agreements and understandings between the Governments which affect the environment in which Australian manufacturers operate. They will also have a bearing on the longer-term policies which might be adopted to deal with adjustment problems in this environment in Australia's national interest. Therefore, relations with New Zealand seem to fall within the terms of reference of your Study Group, especially as New Zealand currently provides the largest single market for Australia's exports of manufactured goods. After discussions with the Australian Government, the New Zealand Government has suggested to me that you might find it useful to receive, from a New Zealand source, a submission on Australian relationships with New Zealand.

I am writing as Chairman of the New Zealand Planning Council. The Council was established by legislation in 1977 to advise, and act as a focal point for consultation, on planning for New Zealand's development in the medium-term. Most of its 14 members are appointed as individuals with knowledge and experience of different facets of New Zealand life. Two are ex officio: the Minister of National Development and the Secretary to the Treasury. This constitution represents an attempt to combine independent and dispassionate analysis of trends, issues and appropriate strategies and policies with a close link with the Government of the day.

Your Group will be aware that relations with Australia are accorded great importance in New Zealand. Indeed, the Minister of Foreign Affairs, Rt Hon. Brian Talboys has repeated on several occasions his conviction that the links with Australia are more important to New Zealand than those with any other country. He was not speaking solely of economics, although the economic ties are significant. New Zealand sold 13 percent of its total exports to Australia in 1977, a share less than that taken by the United Kingdom (19%) and similar to that taken by the United States and Japan (13% and 12% respectively). Nearly 40 percent of its exports of manufactures were sent to Australia in 1977. In the same year, about 21 percent of New Zealand's imports came from Australia. (This incidentally makes New Zealand Australia's third largest market, with 5 percent of total exports in 1976/77, compared with Japan's 34 percent and the USA's 9 percent.) Most of these imports are processed and semi-processed goods.

Despite some setbacks since 1973/4, especially with exports of motor vehicles, Australia still sold 18 percent of its total manufactured exports to New Zealand in 1975/76 compared with 13½ percent to the USA and 12 percent to Japan. New Zealand's receipts from services to Australia have been growing more rapidly than its exports of goods, and exceeded \$237 million in 1976/77, compared with payments of over \$261 million to Australia.

Other facets of the relationship have been well summarised by Alan and Robin Burnett in their book on "The Australia and New Zealand Nexus", which provides a detailed and up-to-date analysis should the Study Group be seeking further information:

"The logic of history and the realities of political and economic geography, as a joint statement by the Prime Ministers put it in 1970, suggested that Australia and New Zealand should act in close concert with each other.

The ties which bind Australia and New Zealand are not based on sentiment but on essentially practical considerations influenced by geography. They are neighbours in the South Pacific. They are by origin British and their populations are similar. Convenience, habit and the development of a complex pattern of arrangements and understandings between their governments have resulted in a relationship which has many special characteristics. It is a product of their British origins and the techniques they learned as colonies and as independent members of the British Commonwealth in dealing with Britain and with one another. Even before Britain's interests moved away from the Commonwealth, Australia and New Zealand had begun to shape their own policies and their relations with one another as predominantly European, English-speaking countries. They are politically as well as geographically isolated from Europe, and in addition to joint involvement with the United States, drawn by the trend of their trade and by geographic proximity towards Asia. Furthermore, in the complex expanding trade relations with Asia and the Pacific, they are the developed countries in what are otherwise developing country groupings, and this will tend to draw them together.

What is the Australia and New Zealand nexus? It is a mixture of a common heritage in the British Empire and Commonwealth, geographic proximity in the South Pacific, a tradition of allowing movement of people between the two countries with a minimum of restriction, a close military association embodied in the word Anzac and a highly preferential trading relationship. While each country has developed a distinctive national spirit people speak with similar accents and share similar cultures."

While I shall be dealing primarily with the bilateral relationship between Australia and New Zealand, I see the main purpose of strengthening the relationship to be to assist both countries to cope more effectively with the challenges of external political and economic forces in which they have a mutual interest. The case for co-operation, especially in developing relations with our neighbours of ASEAN and the South Pacific, rests on both economic and political arguments: economic, in terms of strengthening both countries' economies through increased trade and improved efficiency, and political through the reinforcement of each other's efforts to pursue common goals. In the

future, these arguments are likely to become increasingly compelling. As Mr Talboys put it in a speech at a Foreign Policy School at the University of Otago on 20 May 1978:

"Australians and New Zealanders do very well out of our partnership. But we ourselves are not the only beneficiaries. By working together more and more closely we have been able to help the island states of the South Pacific to deal with their problems, and in the process we have developed close and friendly relations with all of them. The same is true - though not perhaps to the same extent so far - in South-east Asia, and in other parts of the wider Pacific region. There is scope for closer cooperation between us, particularly in developing our relations with the Association of South-east Asian Nations. The point I made throughout my tour of Australia was that by working closely together we can do more to help others as well as ourselves."

Australia has a considerable interest in the wide-ranging "parish", running from the Tokelaus to the Antarctic, for which New Zealand has accepted special responsibilities to provide assistance in development, education, scientific enquiry, defence and a number of other activities. There is a mutual interest, I suggest, in ensuring that both countries are well equipped to share in meeting constructively the challenges which confront them in the region in which they live. This objective is more likely to be achieved satisfactorily if we work together rather than separately.

The situation does not call for total integration between the two countries. Indeed joint approaches will probably be more effective if the two countries remain politically distinct. However, it does call for a more deliberate co-ordination of effort, with considerable integration in some areas where this will strengthen both countries.

## Chapter I

### PLANNING COUNCIL VIEWS ON FUTURE RELATIONSHIPS

New Zealand is being compelled to reappraise its development and external trade strategies in the light of significant changes in its external and internal circumstances. Probably the most important change has been a dramatic and apparently enduring downward shift in the terms of trade. A short-lived boom in export prices in 1972-3 provoked increases in domestic spending and importing which could not have been sustained even if the terms of trade had fluctuated around the average levels prevailing in the 1960s and early 1970s. However, they dropped by 40 percent from the peak reached in mid-1973, a slump comparable to that of the Great Depression. There was a slight recovery from the trough reached in 1975, but it was weak and short-lived. The terms of trade since then have fluctuated between 72 percent and 77 percent of the average experienced between 1960 and 1975.

Since 1973-74, policy in New Zealand has been conditioned by the necessity to bring a serious deficit in the balance of payments back to more reasonable proportions. There has been considerable improvement, as Table 1 shows. Import volumes have fallen by nearly 30 percent and export volumes increased by a similar percentage since 1974/75, but the benefits of the consequent improvement in the balance of trade have been partially offset by a large deterioration in the balance of "invisible" transactions.

TABLE 1: NEW ZEALAND'S CURRENT ACCOUNT BALANCE

	GNP \$m.	Current Account Balance \$m.		Current Account Balance as % of GNP		Debt Service Ratio
		Balance of Payments Terms	Overseas Exchange Transactions Basis	B.O.P.	O.E.T.	
1973-74	8,682	- 99.2	- 30.0	- 1.1	- 0.3	4.1
1974-75	9,452	-1362.7	-992.6	-14.4	-10.5	6.1
1975-76	10,914	-1011.0	-814.5	- 9.3	- 7.5	7.9
1976-77	12,786	- 877.0	-590.5	- 6.9	- 4.6	8.0
1977-78	14,255 <sup>(1)</sup>	- 810.0 <sup>(1)</sup>	-509.5	- 5.7	- 3.6	9.3
1978-79	15,700 <sup>(2)</sup>	- 730.0 <sup>(2)</sup>	-400.0 <sup>(3)</sup>	- 4.7	- 2.5	9.0 <sup>(3)</sup>

(1) NZIER estimate

(2) NZIER forecast

(3) Reserve Bank of New Zealand forecast.

The improvement in the balance of payments has been achieved at the cost of what the OECD has described as perhaps the most serious recession in the OECD area, involving a decline in real income per head, net emigration, and rising unemployment. Domestic policy is now directed towards reversing these unfortunate tendencies. However, the need remains for continued progress towards less reliance on overseas borrowing. This dictates a strategy of stimulation of activities which earn and save overseas exchange, and a toning-up of the efficiency of the economy generally to support such activities.

It was against this background that the New Zealand Planning Council (henceforth NZPC), in a recent report entitled "Planning Perspectives 1978-83" has discussed appropriate directions for New Zealand's development in the medium-term. Naturally viewing things from New Zealand's standpoint, it sees the development of much closer relationships between Australia and New Zealand as a most important element of any strategy designed to increase the general efficiency of the New Zealand economy and thus enhance our capacity to improve personal living standards, reduce social and industrial problems and tensions and play a constructive part in sustaining prosperity and good relationships in the world, particularly in the geographical region in which we are located.

The Council suggests that Australia is confronted by international pressures - political, strategic, and economic - similar to those facing New Zealand. The Council has concluded that a central aim of external policy should be to give new impetus to trans-Tasman co-operation. This could extend beyond trade and defence to external marketing and tourist development, to social and cultural projects, and to programmes of overseas assistance. The two countries should work closely together to cope constructively with the pressures which they both face. Progress is now being made towards greater integration of defence effort, and there is a considerable interchange among Ministers and officials on policy issues of mutual interest. However, one must be concerned at the lack of progress towards the original aims of the New Zealand-Australia Free Trade Agreement (and in other areas such as rationalising the production of defence supplies).

The Council believes that further progress towards these aims would gradually widen the market available without restriction to producers in both countries. The consequent specialisation and exchange would provide a stronger base upon which to develop their capacity to compete in international trade generally. Thus the Council recommends that serious consideration be given to the possibility of eliminating most barriers to trade between the two countries over a period of 10 or 15 years. It acknowledges that a list of exceptions may be necessary to deal with cases of special difficulty on each side, but contends that this should be small.

Preferably against the background of a broader and strengthened relationship with Australia, the NZPC advises that the N.Z. Government and private interests should continue to associate themselves with endeavours to strengthen co-operation in the Pacific Basin, and take a special interest in maintaining healthy two-way relationships with our South Pacific neighbours and with ASEAN. This implies not only the maintenance of aid to these countries, but also the development of joint ventures and other trade and communications links.

The Council argues that freeing trade with Australia and responding to international pressures to moderate protection through import licensing and tariffs need not be inconsistent with a desire to promote efficient industrial development in New Zealand. It sees a strong case - in New Zealand's own



interests - to look closely at enterprises and industries which seem likely to require very high protection for a long period to survive. The major aim should be to diagnose the main reasons for their inability to compete and to improve their competitive capacity. Continued high protection may be justified in some cases; in others, it would be better to plan to deploy the workers and capital involved into avenues of greater social and economic benefit to the nation. It is assumed that, if Government embarks on a policy of reducing protection, it will also adopt fiscal, monetary, and exchange rate policies designed to foster growth and the rationalisation of industry so that it remains fully competitive. The Council also stresses the importance of funds being made available to assist workers to make the adjustments which are necessary if the more efficient industries are to obtain the staff they need.

It should be noted that the suggestion for close co-operation and freeing of trade between the two countries is not put forward as a means of insulating ourselves from the rest of the world. Its main purpose is to improve the capacity of both countries to be constructive partners of others in trade and development. The philosophy of the NZPC in this respect is in tune with that expressed by Sir John Crawford in the Inaugural Stan Kelly Memorial Lecture last year. Sir John noted how protectionist both Australia and New Zealand have been in respect of finished manufactured goods and drew attention to the interactions between high protection and inflation. He also commented that:

"The brave new world of the post-war era ushered in by GATT, IMF and various other ventures in international co-operation is under great stress - and will continue to be if advanced countries cannot meet the legitimate aspirations of the Third World for development, for stability and predictability in commodity trade and for access to markets. Australian general economic conditions - but especially its high rate of inflation and its unusually high unemployment levels - make it difficult to respond adequately. But I now suggest that this is no excuse for evading the issue of restructuring our own economy. Unless we do respond to these problems now we cannot properly meet our own needs let alone assist significantly in the effort to help the Third World which, of course, includes ASEAN."

Sir John concluded by arguing that "it has become clear that Australia's economic future - if we accept the continued need for economic growth - calls for considerable change in the structure of our industries and a shift away from highly protective import substitution policies. I have suggested that policies for restructuring and further growth can and should proceed together. The compass is set for freer trade, but we will need a gyroscope to steady the path as many cross-currents - and even, it now seems, gale-force winds - beset the course".

I suggest that similar comments apply to New Zealand, and that a bold move to freeing trade between us could be an important element in the changed approaches which both countries need for their future development.

## Chapter II

### RECENT DEVELOPMENTS IN THE RELATIONSHIP

It must be conceded that such a bold move would represent a considerable departure from the cautious and pragmatic approach which has characterised economic relationships between the governments in recent years. This statement is not meant to imply that the Governments have not worked closely together and attempted as a general rule to help one another, within the context of their individual policies, both in bilateral dealings and in relations with other countries. Nor does it deny the broad and increasing range of contacts between people and organisations in the two countries in sporting and cultural pursuits, in business, professional and trade union meetings, through tourism, through the continuing expansion of the two-way sales of goods and services, and in other ways.

The two Governments have indeed gone a considerable distance towards implementing the principles laid down by Prime Ministers Gorton and Holyoake in 1970 to chart the future course of what they called "the Tasman Partnership", building on the ANZAC Pact of 1944, which they described as "a continuous pledge by Australia and New Zealand to join their efforts in peace as in war, and thus to forge a lasting bond between the two nations". The principles suggested were that:

"On all major matters affecting our common interest, including the conduct of our international relations, whether at the regional level, in the Commonwealth context, in the United Nations or elsewhere, we will continue the closest bilateral consultation: recognising that there are cases where our national interests may not be identical or in which we may adopt different approaches to the solution of common problems, the habit of sustained contact between our two Governments assumes special importance.

In questions of defence, the co-ordination of effort in areas such as planning, purchasing, standardisation of equipment, training and operational procedures should be regarded as a first priority by our armed services.

In the field of trade, the good progress made under the aegis of NAFTA should be consolidated and expanded to lead to the maximum flow of trade and the highest practicable degree of rationalisation between the two countries in the interests of their national development.

The administrative effort of both Governments should be directed towards facilitating increased collaboration in all fields.

Attempts by non-governmental agencies to promote new areas of Australia-New Zealand co-operation, or to lend greater substance to the wide range of existing contact between our two peoples should be encouraged."

Co-operation between the governments in foreign affairs is very close. Institutional arrangements for defence co-operation have been stepped up. There is much exchange of information and consultation among departments of government in the two countries and the governments have expressed their intention this year to arrange exchanges of officials to work in each other's country, to take further steps to co-ordinate their activities in development co-operation and to exchange parliamentary delegates regularly and frequently. Foundations are to be established in each country to foster more cultural and other exchanges and encourage the study and discussion of issues of mutual interest. The governments have encouraged the initiative of businessmen in forming a private association to supplement governmental efforts to foster trade and co-operation.

The main question is whether the governments have gone as far as they could and should in freeing trade and "rationalising" development. Trade is presently governed by four inter-governmental agreements, and by a number of understandings embodied in communiqués and correspondence. The most important treaty is the New Zealand-Australia Free Trade Agreement (NAFTA) 1965. This agreement was presented to GATT as an interim agreement leading to the formation of a free trade area. It was renewed, still in this form, for a further 10 years in 1976, apparently without serious criticism in GATT. In addition to NAFTA, there is the Agreement concerning Tariff Rates and Tariff Preferences (1977); some surviving rights and obligations of the trade agreement of 1933 which have not been encompassed in later agreements; and an Agreement on Rules of Origin concerning Preferential Trade (1975).

The agreements and understandings are analysed in detail in the Burnetts' book previously mentioned. The analysis will not be repeated here. Suffice it to say that more emphasis has been placed on sustaining preferential access to one another's markets than on promoting rationalisation of industrial development by the reduction of barriers to trade across the Tasman. It is true that rationalisation arrangements between individual companies have been encouraged under Article 3:7 of NAFTA by the governments exchanging concessions on duties and licences to facilitate the inter-company projects. However, only in a very few cases has the original intention been carried out of bringing items subject to such arrangements into the free trade Schedule A of NAFTA.

The provisions of NAFTA reflect the political conditions prevailing, especially in New Zealand, at the time when it was negotiated. At the time, the then Mr Marshall (now Sir John) seemed to be swimming against the political tide, with little significant support from important interest groups for the initiative and a good deal of hostility, especially from manufacturers, including some in the forest industries who were expected by Government to gain most from the arrangements. Some Australian interests were also fearful of freer trade. The fears are reflected in the agreement which is hedged around with safeguards and leaves quite open the question of how rapidly the parties should approach the freeing of trade by adding items to the relatively non-controversial initial list in Schedule A.

Additions to Schedule A have been limited. Somewhat embarrassed by the slow progress, the governments in 1973 conceived the idea of adding new schedules B,

C, and D which would permit the freeing of trade in agreed products subject to safeguards by quotas or other arrangements against unrestricted competition from the other side of the Tasman. Schedules C and D have not been utilised and only furniture and certain types of luggage have been brought in under Schedule B. The slow progress reflects the great sensitivity of governments in both countries to any opposition to freeing of trade by interests concerned about potential competition.

Despite the relatively limited reduction of tariffs and other restrictions, trans-Tasman trade has multiplied six times since NAFTA came into effect in 1965. New Zealand's exports have increased ten-fold, so that the balance of trade in Australia's favour has been reduced from about 3.6:1 to 1.8 to 1. The trading arrangements have undoubtedly played a part in the expansion. I do not think it is unfair to say that other factors have been more important, such as exchange variations and the changing absolute and relative economic conditions in the two countries. And in the mid-'70s these changing conditions, especially in Australia as the competitive capacity of significant sections of Australian manufacturing diminished, led to a resurgence of protection including restrictions on imports from New Zealand, which frustrated gains which New Zealand exporters had expected to make on the Australian market (a frustration which had been felt by many potential Australian exporters to New Zealand confronted by import licensing here throughout the currency of the agreement).

Until this year, the trade relationships between the two countries in the mid-'70s seemed to be set on an unfortunate course which could well lead to the atrophy of the agreement or even to its breakdown through recriminations and retaliation. The course of events is reflected in the outcome of the negotiations on possible additions to the Schedules of the agreement:

11th Review (1975)

carpet (wool) with quota (NZ only importers facing quota)  
doorbells and gongs, non-electric, of base metal  
poultry brooders  
ring-type grinders of type used in laboratories  
cast iron vee pulleys  
bowls (lawn and indoor)

12th Review

socket-head screws  
horseshoes in high carbon steel  
air, gas or steam silencers (for industrial purposes)

13th Review (1.7.76)

meat extract preparations in solid forms (e.g. Oxo)  
heraldic badges and crests (polyester)  
photomechanical process plates (not aluminium grained and  
anodised, and not further worked) for use as lithographic  
printing plates

14th and 15th Reviews - no additions

16th Review (1.1.78)

- Phenolic formaldehyde foam (as used by florists for fixing arrangements)
- vinyl floor coverings (long-term nomination by NZ)
- golf bags
- travellers' cheques
- terracotta roof tiles
- malleable cast iron pipe fittings
- cable climber winches
- fire engines and fire escapes

Hardly a picture of dynamic movement towards liberalisation, but at least a somewhat more encouraging picture in 1978 than in the year which preceded it.

I acknowledge that, in the circumstances, things could have been worse. The existence of NAFTA has probably helped to limit the extent to which protective barriers have been raised, and thus saved the partners from damage that might otherwise have been done. In some cases, reciprocal access has been accorded by New Zealand for products under pressure upon which the Australian Government might otherwise have imposed more severe restrictions. However, both the Australian measures and the tight licensing situation in New Zealand have drawn attention to the insecurity of access which many traders face under present arrangements. It seems timely that both countries should now seriously reappraise the relationships and the basis upon which they should proceed in future.

### Chapter III

#### CURRENT GOVERNMENTAL ATTITUDES TO THE RELATIONSHIP

There are encouraging signs that senior New Zealand ministers see value in faster progress towards the liberalisation of trade and closer general relationships between the two countries. Statements by the Deputy Prime Minister, in particular, have clearly indicated his belief that further liberalisation of trans-Tasman trade would be highly desirable for both countries; and that it would help us to concentrate our resources in areas where we are most efficient and where we have the best chance of competing with other countries. He has emphasised that we must trade our way out of our present problems and that we cannot protect our way out of them. It was encouraging also that the Prime Minister said that the (Planning Council's) "Report's comments on our relationship with Australia are, in general, soundly based. There is no doubt that the future of our two countries lies together if only because of our geography and this will remain true as we develop ethnically in different directions. If, however, we are to diminish trade barriers between the two countries we shall have to go into that exercise without too many reservations".

At present both Governments seem to be arguing that we cannot expect much progress towards the goal of free trade, for which they indicate support for the longer-term, because each country has such serious short-term problems. Thus, the communique issued after the latest NAFTA talks said that current economic conditions precluded any immediate expansion of the free trade arrangement by the addition of goods to Schedule A of NAFTA. The best that could be done apparently - I do not intend to imply that this was insignificant - was

1. to extend to 1980 arrangements made in 1977 for apparel, textiles and footwear
2. to envisage the possibility that household appliances might come in under Schedule B
3. to foreshadow some attention to the scope for developing trade in motor vehicles and components, and
4. to set up machinery for consultation between the two Governments on measures of assistance for industrial development, as agreed by Mr Fraser and Mr Talboys in their private meeting at Nareen earlier.

I take some encouragement from the signs that there is at least some forward movement, in a situation which could lead to a more protectionist approach. But worthy as all this is, I must express the personal fear, now based on long experience, that if we carry on in this way, it is unlikely that Governments will ever find the circumstances right for significant movement towards the

freeing of trade, especially in "sensitive" areas. Progress will continue at a snail's pace and important opportunities that could be grasped through a bolder approach will be lost. I suggest that an essential requirement for real progress is a commitment by both Government to free trade in most products over a defined time period in accordance with an agreed plan embodying principles on which the reduction of barriers would be based. The time period could be as long as 15 years or so, so that necessary adjustments could be made gradually and progress reviewed regularly to see that both sides were gaining. We would probably find, as the original Six did with the EEC, that the problems involved are not as great as some may fear and that progress can be accelerated. The Governments could exclude some products from the process entirely, if compelling social, strategic or economic reasons justified this - but one hopes that the exempted list would be kept short.

There are, of course, several areas where the mere lowering of barriers of trade would not, of itself, be sufficient to promote rationalisation of development satisfactorily, especially in areas where a few producers dominate the market. Here supplementary arrangements among Governments and producers would be needed to ensure the best use of resources in the overall interest of the partners. As indicated earlier, more co-operation in catering for the requirements of customers in other countries would be useful. One trusts that constructive actions of the types suggested would not be confined to manufacturing, but extend to primary and service industries also. The consultations envisaged on development of broad industrial sectors envisaged in this year's communique, if prosecuted speedily, would provide a useful basis for the planning involved.

## Chapter IV

### WHAT'S IN IT FOR AUSTRALIA?

It must be recognised that Australia is more important to New Zealand than is New Zealand to Australia. Canberra has bigger fish to fry. For Australians in general, the wide-ranging personal, business and official contacts with New Zealand are rather taken for granted. Many think of New Zealand as they think of Tasmania - there, vaguely pastoral, a bit behind the play - but in the family all the same.

Most Australians are surprised to find that New Zealand is their largest market for manufactures and their third largest market overall. When pressed, they readily recognise that New Zealand and New Guinea are, in strategic terms, of vital significance to Australia. An unstable or impoverished New Zealand would clearly be detrimental to Australia's broad interests in the world. It is of advantage to Australia to have a neighbour with similar interests and philosophy capable of playing a constructive role in sustaining peace and prosperity in the region in which we live together. However, it is plain that the future economic relationship with New Zealand will, and should, be judged by whether it assists or hinders Australia in the pursuit of its larger interests elsewhere in the world.

There have been significant changes in the attitudes of Australian governments to NAFTA since it began in 1965. There is little doubt that, in the first decade of its existence, Australia would have accepted, probably welcomed, proposals for the virtually complete freeing of trade, at least in industrial products. The shape of NAFTA, and the slow pace of its progress, largely reflected New Zealand fears of a bolder approach. Australia acquiesced in special concessions to New Zealand which assisted a significant reduction in the imbalance of trade. The growing difficulties of manufacturing provoked a considerable change of attitude in the mid-'70s. The vigorous expansion of New Zealand manufactured exports to Australia provoked defensive reactions in some areas. Much more emphasis was placed on balancing preferential advantages. There was more pressure on New Zealand to give reciprocal access to Australian products and reduce the frustration of Australian opportunities by quantitative import restrictions. There was much more questioning of the value of NAFTA to Australia in the long-run. There seemed a real danger that the Agreement might be allowed to atrophy, or degenerate into a source of recrimination and retaliation between the two countries.

Fortunately, the political meetings of 1978 have engendered a renewal of more positive attitudes to the development of the relationship. The Australian position seems to be that, while a high level of unemployment makes relaxation of trade restraints difficult at present, it is accepted that progressive liberalisation of restrictions between the two countries is desirable as conditions permit. Meantime, positive action is to be taken to seek other ways of assisting one another's development. Thus, the direction of policy is clear. The issues are ones of pace and method.



If the difficulties confronting Australian manufacturing at present were seen as temporary, there seems little reason why a commitment should not be made to achieve the freeing of trade over a defined time period of 10-15 years. The plan and schedule to achieve this could make provision for a slow or delayed start for industries with special difficulties, or indeed omit some entirely in cases of great significance. However, it is probable that there are other worries which would inhibit the Australian Government from undertaking such a commitment.

First, there may be a concern about the capacity of Australian manufacturers to compete against New Zealand's lower real wage rates. This is a more general problem which is discussed extensively in a recent article on "Australia and Asia" in the Australian Economic Review (1st quarter 1978) by Dr Clive Edwards. The following quotation from that article analyses the problem and suggests the right approach to dealing with it:

"Australia's manufacturers have experienced serious difficulties in recent years. They will claim that they cannot export because wage costs per unit of output are too high by comparison with other competing countries. On questioning, they will reveal that not only are wage costs per unit of output high, but so too are overhead costs (including capital equipment, administration, selling, distribution, and so on), energy costs and input costs. Cost per unit of output are all high because the scale of production is too small and expenditure on modernisation and innovation is too low. The Australian manufacturing sector is vulnerable, and each time it succeeds in gaining more protection its vulnerability increases. Protection increases profits today, but permits managers to ignore the difficult decisions required to achieve long-term cost competitiveness in an international context. What Australian managers fail to appreciate is that their competitors in other countries are not pursuing this strategy. Their competitors, particularly those in East Asia, are emphasising investment, the large scale, specialised production of high performance products combined with cost and price stability. The dramatic fall in the price of transistor radios and desk calculators, for example, reflects the results of such strategies.

The decision to modernise Australia's manufacturing sector in a way which encourages manufacturers to extend their vision beyond Australia needs to be made now."

The freeing of trade with New Zealand would be consistent with such a policy decision.

Another source of concern to some Australians is that liberalisation of trade with New Zealand would cut across Australia's desires to strengthen its trading links with other countries, especially the members of ASEAN. If the foregoing argument is correct, such liberalisation should rather be seen as a means of assisting the capacity of industries in both countries to operate more competitively in international markets. In the process, the two countries should be able to expand both exports to, and imports from, third countries and become less reliant on high protection. In short, a more efficient economy in both countries would make possible a more positive response to demands from the countries of South-east Asia and the South Pacific for improved access for their exports. Moreover, although the Contracting Parties to GATT have not so far raised serious objections to the present trading arrangement between

Australia and New Zealand, movement towards a more complete free trade would be more consistent with both the letter and the spirit of that Agreement.

It might be worth observing, in relation to ASEAN, that New Zealand is not a significant exporter of the main exports which the ASEAN countries currently sends to Australia. The main competition comes from elsewhere, and the ASEAN countries would gain very little even if New Zealand were completely excluded from the market, and the gap filled in proportion to the existing market shares of ASEAN and others.

In the past Australia and New Zealand have been able to co-operate to mutual advantage in facing political and military problems in the Asian-Pacific region. Now, in a period of peace, opportunity exists to co-operate in strengthening relations with rapidly developing economies which hold immense potential for future trading opportunities. The protectionism practised by the principal trading powers of the northern hemisphere increases the need to seek opportunities closer to home. However, if the opportunities are to be grasped, both Australia and New Zealand must improve their economic efficiency. I am suggesting that the freeing of trade between the two countries could make a significant contribution to improved efficiency, as a crucial step to inducing more producers to face competition and interest themselves in export opportunities. Co-operation should also strengthen both countries' political and diplomatic negotiating capacity. On the other hand a policy of "go-it-alone" would involve a real risk of conflicting approaches which could be detrimental to each country's goals and impede the progress which each could make.

It would not be appropriate to discuss at length here the form which greater economic integration between Australia and New Zealand might take. My own preference would be for a free trade area approach, rather than a full customs union, at least in the first instance. There could be a case for some harmonisation of tariffs, controls and other policies in areas of significance to either party. It would be easier to negotiate such partial adjustments than to achieve the full harmonisation required by a complete customs union.

Greater integration would require the New Zealand Government to pay more attention to positive action to assist enterprises and workers to adjust to the changes which the lowering of barriers, and the consequent opportunities and challenges, would demand. I understand that the need for adjustment assistance is one of the more important matters which your Group will be considering. Each Government would undoubtedly wish to work out its own policies to assist its own industries, but there could be scope for some joint action in special cases.

The two Governments are already contemplating more intensive consultation in industrial development planning. Especially if the "Gregory thesis" is correct, and Australia becomes more interested in investment outside its own shores, New Zealand's development should offer considerable opportunities in a stable political environment. The Planning Council is optimistic about New Zealand's long-run economic prospects, with its generous endowment of climate, indigenous sources of energy, and natural advantages in generating useful products from the land, the forest and the sea. What is required is enterprise, investment and co-operation in making good and effective use of this endowment and a willingness to make changes in old institutions, methods and practices which presently impede this objective. A more outward-looking and dynamic trading strategy is one of the changes required. Australia would benefit directly and indirectly if the changes were made.

## Chapter V

### CONCLUSION

In the affairs of nations as in the affairs of men, much depends on circumstances and on timing in determining the directions which developments will take. In the mid-1960s, the circumstances were propitious from Australia's viewpoint for a considerable move forward towards more integrated development of the two Tasman neighbours. However, the opportunity was lost, largely through fears on the New Zealand side which may have seemed justified to many at the time, but in retrospect were short-sighted and greatly exaggerated. Now, in the late 1970s, these New Zealand fears are greatly reduced and there is a growing appreciation that some bold new initiatives are needed if the country is to break out of economic adversity which no-one would wish to see persist. It is evident that the initiative towards the negotiation of a commitment to more integrated development must come from the smaller partner. But in today's circumstances, would a well-conceived initiative for a bolder approach receive a positive response or a brush-off?

I would emphasise that this submission is a personal one, drawing on some of the conclusions which the Planning Council has reached in its first year's work. The two governments in their public communiques in 1978 have accepted greater liberalisation as a goal, but have seen present difficulties as an obstacle to much progress in the short-run and to a commitment now to achieve defined goals of integration within a specified time period.

A major purpose of this memorandum is to suggest that a more positive attitude to greater integration with New Zealand would assist rather than hinder the constructive pursuit of Australia's larger concerns in the world. If I am correct in this, I trust that Australia would not let short-term problems and fears prevent it from sharing in an opportunity of longer-term benefit to both countries. This may not recur if New Zealand feels obliged, through Australian disinterest, to embark on an alternative path which I, for one, would regard as a second-best approach.

If your group finds merit in the ideas which I have expressed, I trust that you will take account of the possibility of greater integration with New Zealand in advising your Government on the longer-term policies which it should adopt.

A U S T R A L I A N R E L A T I O N S H I P S

W I T H

N E W Z E A L A N D .

( P A R T I I )

S O M E R E F L E C T I O N S O N A V I S I T T O A U S T R A L I A .

BY SIR FRANK HOLMES ,

CHAIRMAN . ,

NEW ZEALAND PLANNING COUNCIL .

SEPTEMBER 1978

NZPC No.10

# SOME REFLECTIONS ON A VISIT TO AUSTRALIA

BY

SIR FRANK HOLMES  
CHAIRMAN, NEW ZEALAND PLANNING COUNCIL.

## 1. AUSTRALIAN DEVELOPMENT STRATEGY

Australians generally do not like to confess that they are planning. Their Government policies are, in fact, formed around a general, medium-run strategy. There are differences of opinion within the Government machine and outside it about different elements of the strategy. But the central core was summarised for me by a senior official like this:-

Australia has an abundance of resources which offer great scope for mineral metal and energy development in the future. In the last few years, depressed world demand, previous over-investment and inflation in Australia have created an unsatisfactory climate for investment and led to a temporary deterioration in the balance of payments and fall in the inflow of private capital. The timing of the next wave of investment will be determined in part by factors outside Australia's control. It can be influenced by Australia's own success in improving its political and economic stability, especially as there are competitors like Brazil for the large quantities of overseas capital which will be needed for exploitation of the resources on the massive scale in prospect.

It is these considerations which explain in great part the emphasis placed by the present government on maintaining progress in reducing inflation, lowering interest rates, and thus creating an appropriate climate for heavy investment in export-oriented resources development.

In dealing with inflation, excessive real wages are seen as the main problem to be overcome. Policy is directed towards a switch of distribution of income from wages to profits for a period. The Government presses unions, employers and Arbitration Commissions to agree that only partial indexation of wages to compensate for price increases is desirable, that higher indirect taxes and oil levies should not be used as justification for pay increases, and that indexation adjustments should be less frequent than quarterly. Warnings are given that "excessive" wage settlements can only mean higher unemployment because the Government will not depart from its stern monetary and fiscal policies. Public servants are told that if wages rise faster than the Budget has assumed, economies, including staffing cuts, will have to be made.

Nevertheless, there is little confidence that exhortations of this kind will have much effect unless conditions in the labour market exert pressures for restraint. Thus, Government has adopted a line of policy for which the Secretary-designate of the Treasury, John Stone, is given primary credit, to the extent that Australia is said to be passing through the "Stone Age". This puts heavy emphasis on curbing the growth of public expenditure; keeping the internal budget deficit low and therefore limiting the Government's borrowing requirement; and working to guidelines for the growth of the money supply (M3). Money supply grew by 17 percent in 1974-5. Since then, guidelines have been progressively lowered, to 8-10 percent in 1977-78 and to 6-8 percent for the current fiscal year 1978-79. Perhaps coincidentally, the increase of consumer prices has fallen from 17 percent in 1974-75 to 9.5 percent in 1977-78, and is forecast to be about 6 percent in 1978-79. The goal is a 5 percent annual rate of price increase by the middle of 1979. These figures may be compared with New Zealand's increase of consumer prices of 12.2 percent for the year ended June 1978 and forecasts of between 10 and 12 percent for the year ending March 1979.

If the Australians continue to be more successful at curbing inflation than we are, and the two Governments continue their present exchange rate policies, the competitive position of New Zealand exporters in the Australian market (and domestic producers here in competition with Australians) will obviously be eroded.

There seemed to be a wide measure of support in business and economic circles for the general thrust of this strategy, but some debate about the severity with which the instruments were being used. The Melbourne Institute of Applied Economic and Social Research, in particular, favoured a larger budget deficit and a more expansive domestic policy to stimulate activity and employment. Most economists to whom I spoke took positions between the Melbourne and the Government view, but generally leaned towards the Government position. Some, particularly those associated with the mining industry, felt that not enough attention was being given to using the exchange rate to keep Australian industry internationally competitive. But, in general, there was more widespread acceptance of the Government strategy than I had expected, especially in business and financial circles. This attitude was reflected in the general reaction to the Budget in business and financial commentaries and on the stock exchange.

There is a recognition that the strategy involves short-term costs. In particular, unemployment is high by past standards. There are fears that, even as recovery occurs, it will get higher. There is some concern about this, especially by those involved in social welfare circles. However, many played down its importance, on the grounds that large numbers were happy to be temporarily unemployed given the benefits and other undeclared income they could enjoy, and that it was in fact difficult to fill jobs, even of an unskilled nature. Others suggested that high unemployment was a necessary price to pay for a return to greater stability, and will persist until wage demands become more reasonable. Others again argued that a large part of the problem stems from the accelerated pace of displacement of people by machines and

better organisation in service as well as manufacturing industries. Thus a general expansion of money and spending would not solve the problem, but merely refuel inflation.

Growth of domestic product has been relatively slow and somewhat erratic, but is now on the upward path and expected to be about 4 percent in real terms for 1978-79. Business investment has also been rising quite strongly, probably by about 4.4 percent in volume in 1977-78, and is forecast to continue upwards this year. Despite the pressure to curb wage increases, real household disposable income has also been rising, and consumption with it. Consumption has been boosted by a gradual decline in the ratio of savings to income which had reached unusually high levels. Thus the economy has by no means been stagnant. Most observers seem to feel that restraint has laid a good basis for faster growth from now on.

Deterioration of the balance of payments, to the point where the deficit on current account bears a similar relationship to export receipts to New Zealand's, might seem to portend constraints on development. However, for reasons given earlier, there is widespread optimism about future prospects and readiness by Government to borrow large amounts overseas until private capital inflow resumes in more substantial measure.

Summing up on internal development strategy, the main difference noted between Australia and New Zealand is the relatively high priority the Australians are giving to achieving more stability of prices and lower interest rates as a basis for future sustained expansion, as opposed to curbing unemployment in the short-run. In view of our advocacy of the publication and discussion of monetary guidelines, Council members will note with interest the role which these are now playing in Australian policy.

So far as external strategy is concerned, one is struck by the recognition in Australia of the growing importance of the developing market economies of East and South-east Asia to Australia's present and future development. It is hoped that China will also become an increasingly significant market for Australian exports but enthusiasm at the prospect of more involvement by that country (and possibly Vietnam) in foreign trade is qualified because that involvement may also mean greater competition from these sources as suppliers of certain metals.

The changes which the oil crisis has provoked in the structure of Japanese industry have had detrimental effects on Australian exports of metals and minerals in the short-run (while helping the labour-intensive manufactures of neighbouring developing countries) Japanese energy-intensive industries like aluminium, pulp and paper, petro-chemicals, iron and steel, and some labour-intensive areas like textiles were adversely affected, while knowledge-intensive industries continued to expand. Private capital expenditure fell to historically low levels as the Japanese economy made the transition to more moderate growth. All these changes were unfavourable to Australia. Australia still expects to benefit from the resumption of growth in Japan.

But growth is expected to be at a more modest pace, less oriented to Australia's interests than in the past, and more subject to the threat of growing oil shortage in the 1980s. Thus increasing attention is being paid to the prospects in ASEAN, Korea, Taiwan and Hong Kong.

To quote a paper given to me by Ross Garnaut of the ANU:-

"If economic growth was to continue in the Asian developing countries on the pattern of recent years, the eight market economies in East and South-east Asia would be as important in world trade as Japan within four or five years. Their industrial structure would be evolving continually in ways that were highly favourable to the increase in complementarity with the Australian economy. By the mid-eighties, the rate of growth in these countries would be more important than the rate of growth in Japan in determining the environment for Australian exports. Continued export-oriented industrial growth in Malaysia, the Philippines and Thailand would facilitate the eventual emergence of Indonesia as a major supplier of labour-intensive manufactures, and if this happened, it could prolong greatly the period of rapid industrial growth in Asian developing countries. Provided that outward-looking policies were implemented in Australia, this would provide opportunities for continued expansion of Australia's most competitive industries on the pattern of the sixties, despite the modest growth in Japan and in other industrial countries of the northern hemisphere."

The main threat to this prospect is that it will be frustrated by increased protection in the more advanced industrial economies. I was impressed by the number of Australians who stressed their own direct and indirect interest in trying to ensure that this did not happen, and accordingly argued that Australia's own policies should move in a generally liberal direction.

The Australians see the developing market economies offering good potential markets for agricultural products, especially foodstuffs, and for some manufacturing commodities, especially metals, in which Australia's own comparative advantage is strong. They are presently a good deal less protectionist in importing many of these commodities than is Japan. My own brief observations in Korea, including discussions with Dr Nam, their Deputy Prime Minister, and a number of officials, indicated a belief there that Korea's inadequate capacity to supply foodstuffs was an important bottleneck tending to accentuate inflation. A more liberal import regime was becoming an increasingly important element of development policy. This would create important opportunities for New Zealand's pastoral and horticultural industries, as well as for the fisheries.

At present, Australia is clearly exploiting the opportunities more rapidly than New Zealand, especially with beef where our apparent inability to supply, and in particular to supply meat with the



bone in, was often mentioned as an impediment. There is an obvious interest, too, in our potential as a supplier of forest products (with the venture at Karioi a tangible indication of the possibilities of joint ventures). There were suggestions that there were more frustrations in New Zealand than in Australia in finding opportunities, and obtaining permission to exploit them, but my contacts were insufficient to establish how serious these frustrations were.

The positive interest of Australia in these developing market economies is reflected in their political discussions, in the scale of their diplomatic and trade promotion activity in the countries concerned, in the growing business contacts, and in the expanding interest of the Australian academic community in the affairs of the area. The Australian Government is anxious, as it did in the case of Japan, to foster joint research studies into the possibilities of developing relationships. They have offered to provide finance on a sizeable scale for an Australian-ASEAN Research Project and negotiations on the nature and scope of the project are well advanced. Heinz Arndt of the ANU, who has played a leading role in these negotiations, expressed his readiness to help to arrange a New Zealand link with such a project if there were any interest here. I trust that there will be, but I fear, from my experience with the Japan Advisory Committee, that we shall have much more difficulty than the Australians in mustering a constructive contribution from the academic community and linking it with a constructive interest and financial contribution from the Government and business community.

Most of those to whom I spoke in academic and official circles were relatively optimistic about the medium-term prospects for exports from most rural industries, notably for meat and grains, moderately so for wool. An official who had been involved in negotiations in Europe was very pessimistic about Australia's and New Zealand's chances with dairy products in the EEC. Indeed he asserted that European officials had indicated that there was unlikely to be any extension of special arrangements for New Zealand when the present ones expired. However, the general assumption upon which Australian strategy appeared to be based was that we were entering a period of rising relative prices for foodstuffs and metals and of falling relative prices for labour-intensive manufactures.

A great deal of thought is being given in official, business and academic circles to the future of manufacturing industry and to policies for industrial protection and assistance. The work of the Crawford Study Group is providing the focal point for the discussion. With employment in manufacturing declining, the Government has felt obliged to give added protection by quotas and in some cases higher tariffs to a number of labour-intensive industries subject to overseas competition. However, there seems to be widespread acceptance, even in the affected industries themselves, that such protection must be limited in extent and duration. It will be accompanied by Government pressure and assistance to enterprises to rationalise and improve their efficiency so that they can operate with less protection in the future.

The nature of the questions put to me by the Crawford Group, and my discussions with officials and people from industry who are well-informed on the state of play, suggest that the outcome of the national debate will be a gradual scaling-down of present high levels of protection by tariff and quota. There will probably be much greater emphasis in policy on assisting industry to become more competitive. The more liberal policy is seen as important in strengthening relationships with ASEAN and the other developing market economies to the north. The view has gained ground that high protection is not helpful in the long-run in sustaining employment overall, even in manufacturing industry, while it does impede attempts to reduce inflation, boost exports and provide the right environment for the next phase of Australian development.

## 2. AUSTRALIA-NEW ZEALAND RELATIONS

The relationship with New Zealand does not occupy a prominent place in Australian thinking on future development. Except perhaps in the Canberra Times where there is a Mafia of feature writers of New Zealand origin, and occasional bursts from people like Les Hollings of the Australian who have recently visited New Zealand, New Zealand non-sporting affairs usually rate little mention in the daily press. The recent visit by the Deputy Prime Minister had obviously been useful in directing more attention than usual to New Zealand and in giving more positive thrust to political and official thinking about the relationship. But my experiences suggest that a continuing follow-up of this initiative is essential.

There is much goodwill for New Zealand. A visitor to Australia like myself is warmly welcomed, and regarded as part of the family in discussing fully and frankly difficult and contentious issues. Nevertheless, given the large volume of business, official and personal exchanges which occur between the two countries, there is a disquieting lack of knowledge by Australians about developments and policies in New Zealand. More importantly, too many people seem to have a stereotyped image of New Zealand as a rather sick sister, destined for a long period of stunted development.

With such an image, it is hard to sell the idea that New Zealand might be a useful and constructive partner of Australia in pursuing its larger political, economic and strategic interests in Asia and the Pacific.

The proposition that barriers to trade between the two countries might be gradually removed over a period receives a mixed response. Most, including the Prime Minister, seem to accept such integration as a desirable long-term goal. One official, indeed, saw the eventual emergence in Australian policy of a three-tiered relationship in Asia and the Pacific:

- (1) a free trade area of Australia and New Zealand with Papua New Guinea and the South Pacific in special association,

- (2) a special relationship between Australia and ASEAN, and
- (3) looser co-operative arrangements with other countries in the Pacific Basin, (perhaps through an Organisation for Pacific Trade and Development along OECD lines). However, even he raised the question of New Zealand's capacity to participate "without becoming another Tasmania". Both politicians and officials showed obvious doubts about New Zealand's capacity to overcome recent difficulties with the balance of payments, and saw this as an enduring impediment to the freeing of trade.

The statement that New Zealand is Australia's largest market for manufactured goods surprises many Australians. In any case, especially at the official level, qualifications are quickly introduced. In particular, it is pointed out that a high proportion of these "manufactures" are either fairly "raw" materials or are capital goods "essential" for New Zealand industry. More important, the prospects for growth of exports of Australian products to New Zealand are seen as poor by comparison with those in many other areas, especially to the north. This is reflected not only in official thinking, but also in the lack of response to requests to members by the Confederation of Australian Industry (CAI) for suggestions for inclusion in the NAFTA discussions in October. In my discussions and speeches I emphasised that the Planning Council took a more optimistic view of New Zealand's future than most Australians seemed to hold. I have to report a good deal of scepticism in Australia about the willingness of New Zealand Governments to adopt the policies which will be needed to achieve the potential which the Planning Council foresees.

The difficulties besetting Australian manufacturing and rising unemployment were frequently mentioned as obstacles to any early move towards freer trade. They also explain a hardening of Australian attitudes generally towards NAFTA in its present form. This harder attitude is bound to be intensified if Government, after Crawford, adopts a policy of gradually reducing political barriers against imports from the rest of the world. There will be more political and official concern about arrangements which are seen to expose Australian manufacturers to "unfair competition" or which prevent their getting their inputs on terms which help them to become more competitive internationally. The present arrangements are seen as "unfair" because of New Zealand's import restrictions, generous export incentives and, in some instances, lower tariffs on inputs.

While I found less emphasis than on my last visit on the need for the freeing of trade to take the form of a customs union, there was a widely-held view that further progress would require at least some harmonisation of export incentives and tariffs and a review of quantitative restrictions on both sides. Such a review is not inconsistent with the Planning Council's recommendations on the directions in which New Zealand's own overall trade strategy should move in the next few years. However, it is hard to see

much progress with NAFTA if we are unwilling to contemplate significant changes in our own general trade policies concurrently. In my view, for the same reasons as the Australians are reviewing their present methods of assistance to industry, we in New Zealand will have to reappraise ours as an element of a policy to restore and sustain prosperity here.

Politicians, officials and manufacturers all have grave doubts about the value of NAFTA meetings in their present form. The benefits derived are considered small in relation to the time and effort involved. Some officials are attracted to the idea of a commitment to remove most barriers over a period and the negotiation of a plan and schedule to achieve this aim. One leading official saw no economic reason why primary products should not now be included in such a scheme, but admitted that some important politicians would not share his view. However, the Prime Minister felt that it would be premature to consider such a commitment. He preferred to follow the approach agreed between Mr Talboys and himself at Nareen, in which an attempt would be made first to rationalise development and free trade in sectors of obvious importance, such as automobiles, whiteware and forest products. He laid particular emphasis on the automobile industry, which was in some difficulty in both countries. He felt New Zealand actions had damaged progress which was being made in rationalising developments in this industry, but hoped that official talks would lay the foundations for Governments to make further progress soon. His attitude to proposals for wider freeing of trade would be greatly influenced by the evidence of what transpired from these sectoral studies.

As indicated earlier, officers at the head office of CAI, and at the Queensland office, expressed concern at the diminishing interest of members in NAFTA discussions, and the lack of positive suggestions for the October meetings. It was encouraging that they wished to see something positive done to correct the situation and to create conditions for further forward movement. They suggested that this was more likely to be achieved outside the normal channels of official and manufacturers' meetings. The suggestion was that a small group of carefully selected people should try to agree on what the main obstacles to further progress were and how best they could be removed. It may be that the new Australia/New Zealand Businessmen's Committees could provide the focus for such an exercise. Alternatively, a small group of wise men, using the expertise on these committees as sources of advice, might be the best solution.

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