



CANADA AND NEW ZEALAND

TRADE AND ECONOMIC RELATIONSHIPS

IN THE 1980'S

Canada, Dept of Industry, Trade + Commerce
COUNTRY PROFILE TASK FORCE J

AUGUST 1980

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NEW ZEALAND: A COUNTRY PROFILEOBJECTIVE

The purpose of this paper is to describe in broad terms New Zealand's current place in the world as a trading nation and as an economic power, the direction in which it appears to be moving, and the various ways in which this could affect Canada's interests.

The international trading environment of the 1980's is likely to be far more complex and competitive than that of the 1970's. In Canada's relations with New Zealand, as well as with many of its other trading partners, there will accordingly be a need to work out appropriate plans and policies to deal with these changes. The analysis carried out in this paper is designed to provide the sort of comprehensive background needed to develop such policies. The study is not limited to the problem of finding export markets in New Zealand nor is it concerned solely with the formal framework of our trade. It is intended to deal rather with the total effect on Canada of New Zealand's development over the next decade - whether direct or indirect, whether to Canada's advantage or otherwise - and to point up those areas where Canadian action of one sort or another is likely to be required.

SUMMARY

New Zealand has been in economic difficulties since the United Kingdom, its major overseas market, joined the European Economic Community in 1973 and since the dramatic rise in world oil prices shortly afterwards. With its limited population - just over 3 million people - and its limited natural resources, its prosperity has depended to a large extent on the export of agricultural produce, a situation which has left it exposed not only to the uncertainties of world prices but to the increasingly restrictive import policies of many of the larger countries with which it trades. While it is presently selling abroad more than it buys, it still has a considerable deficit on current account due to heavy interest payments on overseas borrowings and other invisible transactions. There has been no real growth in the economy for the past six years and very little, if any, is expected in the immediate future.

Over the longer term, however, the situation is expected to improve considerably. In the energy sector, New Zealand is rich in coal, hydro-electric power and natural gas, the last of which may go a long way toward reducing the country's present heavy dependence on imported oil. Maturing softwood plantations and the construction of new processing facilities promise to make it a major exporter of forest products by the end of the decade. With the establishment of a 200-mile economic zone around its shores, a more efficient approach is also being taken toward the harvesting and processing of its fisheries resources. In the manufacturing sector, efforts are being made to rationalize a number of the less competitive industries and a wide range of incentives have been introduced to encourage the export of finished products. Finally, New Zealand's position as one of the world's most efficient food producers will remain an important element in its overall prosperity.

While Canadian and New Zealand trade and economic relations are of long standing, they have not been of overwhelming importance in our perceptions of one another. However, in view of recent developments in that country, particularly in the resource field, and the increasingly active role that New Zealand is beginning to play in South Pacific affairs generally, a closer look at our relationship would seem to be warranted if we are to be in a position to take proper advantage of whatever opportunities may be offered during the years immediately ahead.

CONCLUSIONS

A special effort should be made to broaden and intensify Canada's trade and economic relations with New Zealand during the 1980's. This is based, among other things, on the need to expand our traditional markets in that country, particularly for the manufactured goods which have made up so great a share of our exports. The proportion of New Zealand's total imports supplied by Canada, has, if anything, fallen over the past twenty years and the balance of trade has been almost consistently in New Zealand's favour. Although the latter is far from being one of our major trading partners, it does provide an outlet for an impressive variety of finished goods and there are undoubtedly many other opportunities to be explored. The present system of import licensing may work against such efforts to some extent, but such restrictions are being gradually liberalized. Joint ventures with New Zealand firms, involving Canadian capital, technical skills and equipment, may also offer promising returns.

In seeking to broaden our relationship, particular attention will need to be given to the existing Canada-New Zealand trade agreement. This is concerned largely with the exchange of preferences. While it is generally agreed that these have had a beneficial effect on the development of commerce between the two countries, their effect has been offset to some degree over the years by a number of factors, on the New Zealand side by the import licensing regime and on the Canadian side by the establishment of certain restrictions on meat and dairy imports. One of the first steps in working toward a closer and more beneficial relationship will be to see to what extent and in what way the present trading framework can be improved.

NOUVELLE-ZELANDE: LE PROFIL D'UN PAYS

OBJECTIF

Le présent document a pour but de brosser un large tableau de la situation actuelle de la Nouvelle-Zélande dans le monde, à titre de pays commerçant et de puissance économique, de l'orientation que ce pays semble prendre et des diverses façons que cela pourrait toucher les intérêts du Canada.

Le contexte du commerce international des années 1980 sera vraisemblablement plus complexe et concurrentiel que celui des années 1970. Dans les relations du Canada avec la Nouvelle-Zélande, de même que dans ses rapports avec les autres partenaires commerciaux, il faudra, par conséquent, élaborer des plans et politiques appropriés pour faire face à ces changements. La présente analyse a pour but de fournir la documentation de base nécessaire à l'élaboration de ces politiques. L'étude n'est pas limitée au problème du repérage des débouchés à l'exportation en Nouvelle-Zélande et ne traite pas uniquement du cadre officiel de nos échanges commerciaux. Il s'agit plutôt d'envisager les répercussions générales sur le Canada de l'expansion de la Nouvelle-Zélande pendant la prochaine décennie, soit directement ou indirectement, que ce soit à l'avantage du Canada ou autrement, et de signaler les domaines où il faudra vraisemblablement que le Canada prenne des mesures d'un genre ou d'un autre.

SOMMAIRE

La Nouvelle-Zélande connaît des difficultés financières depuis l'adhésion du Royaume-Uni à la Communauté économique européenne en 1973 et l'escalade marquée des prix du pétrole survenue peu de temps après. En raison de sa faible population, légèrement supérieure à 3 millions, et de ses ressources naturelles restreintes, sa prospérité dépend dans une vaste mesure de l'exportation de produits agricoles, ce qui l'expose non seulement aux aléas des prix mondiaux mais aux politiques d'importation de plus en plus restrictives des grands pays avec lesquels elle commerce. Bien que la Nouvelle-Zélande vende actuellement à l'étranger plus qu'elle n'achète, son compte courant accuse un important déficit en raison des intérêts élevés à payer sur ses emprunts à l'étranger et de ses autres transactions invisibles. Au cours des six dernières années, la croissance réelle de l'économie néo-zélandaise a été nulle et devrait être très faible, le cas échéant, dans un avenir prochain.

A long terme, toutefois, on prévoit des changements considérables. Dans le domaine énergétique, la Nouvelle-Zélande possède du charbon, de l'énergie hydro-électrique ainsi que du gaz naturel qui pourraient bien lui permettre de réduire sa forte dépendance actuelle à l'égard du pétrole importé. D'autre part l'arrivée à maturité des bois résineux et la construction de nouvelles usines devraient permettre à la Nouvelle-Zélande de devenir, d'ici la fin de la décennie, un important exportateur de produits forestiers. L'établissement d'une zone économique de 200 milles au large de ses côtes facilitera l'adoption d'un régime plus rentable de la pêche et du traitement des ressources halieutiques. Dans le secteur manufacturier, on s'efforce tout particulièrement de rationaliser un certain nombre des industries les moins compétitives; par ailleurs, on a lancé toute une gamme de stimulants à l'exportation de produits finis. Enfin, la production alimentaire de la Nouvelle-Zélande, l'une des plus rentables au monde, continuera à demeurer un élément important de sa prospérité générale.

Bien que les relations commerciales et économiques entre le Canada et la Nouvelle-Zélande existent depuis longtemps, elles ne revêtent une importance prédominante ni dans l'optique du Canada, ni dans celle de la Nouvelle-Zélande. Toutefois, à la lumière de l'évolution des développements récents dans ce pays, notamment dans le secteur des ressources énergétiques, et du rôle de plus en plus actif de la Nouvelle-Zélande dans les affaires de la région du Pacifique, le Canada se doit de se pencher davantage sur ses relations avec la Nouvelle-Zélande s'il veut profiter des débouchés qui pourraient s'ouvrir au cours des prochaines années.

CONCLUSIONS

Le Canada devra faire un effort spécial pour élargir et intensifier ses relations commerciales et économiques avec la Nouvelle-Zélande au cours des années 1980. Cette conclusion se fonde, entre autres, sur la nécessité de tirer davantage profit de nos marchés traditionnels dans ce pays, notamment celui des produits manufacturés. Le pourcentage des importations néo-zélandaises en provenance du Canada aurait en fait diminuer au cours des vingt dernières années; en outre, la balance des paiements favorise presque constamment la Nouvelle-Zélande. Bien que cette dernière soit loin de figurer parmi nos principaux partenaires commerciaux, elle offre des débouchés à toute une gamme de produits finis sans compter toutes les autres possibilités à explorer. Le régime actuel de licences d'importation peut sembler aller à l'encontre dans une certaine mesure, de nos efforts pour exploiter ces débouchés, cependant, certaines restrictions sont progressivement abolies. Par ailleurs, il pourrait également être rentable de créer des entreprises en participation avec des firmes néo-zélandaises en utilisant des capitaux, des compétences techniques et du matériel canadiens.

Nous devons accorder une attention particulière à l'accord commercial actuel entre le Canada et la Nouvelle-Zélande alors que nous nous efforçons d'intensifier nos relations. Cet accord a trait surtout à l'échange de tarifs préférentiels. Bien que l'on admette généralement que ce régime préférentiel ait eu des effets bénéfiques sur le développement des échanges commerciaux entre les deux pays, un certain nombre de facteurs ont joué un rôle négatif à cet égard au cours des ans, notamment le régime de licences d'importation de la Nouvelle-Zélande et l'établissement au Canada de certaines restrictions à l'égard des importations de viandes et de produits laitiers. De fait, pour en arriver à une collaboration plus bénéfique et plus étroite avec la Nouvelle-Zélande, il nous faudra trouver avant tout des façons d'améliorer le cadre commercial actuel.

INTRODUCTION

New Zealand comprises two main islands, North Island and South Island, together with a number of smaller islands, the largest of which is Stewart Island. Administrative responsibility extends to the Ross Dependency in Antarctica and to the Pacific territories of Niue and the Tokelau Islands. The Cook Islands group is self-governing but enjoys free association with New Zealand.

The two main islands stretch some 1,000 miles from north to south. Although the total land area of 104,000 square miles is slightly larger than that of the United Kingdom, substantial parts of both islands, particularly South Island, are mountainous. The climate is generally temperate, although it becomes sub-tropical in the far north while parts of South Island have an almost continental climate and are subject to more marked seasonal changes. Rainfall is abundant and is spread fairly evenly throughout the year.

The population as of March 31, 1980 stood at 3,148,400 persons of which nearly three-quarters live on North Island. It is fairly heavily concentrated, almost 70 percent being found in the major urban centres and just under one-half in the four large coastal cities of Auckland, Wellington, Christchurch and Dunedin.

Note: Unless otherwise specified, all references to dollars in the following text are in New Zealand dollars and all years are New Zealand fiscal years; that is to say, the 12-month period ending on June 30 of the year indicated.

THE NEW ZEALAND ECONOMY

New Zealand's economic performance during the postwar period as a whole has been quite impressive. For the past six years or so, however, it has been plagued by a number of serious problems, stemming largely from the entry of Britain - its largest overseas customer - into the European Economic Community in 1973 and from the dramatic rise in world oil prices which took place shortly thereafter. Real growth has come almost to a stop. The rate of inflation has been significantly higher than the average for most other Western industrialized countries. Unemployment currently amounts to some 4.3 percent of the total labour force, a relatively low figure by Canadian standards but a quite exceptional one in a country where there have traditionally been enough jobs to attract and absorb a steady influx of new workers. This has led to growing labour unrest as well as a steady emigration of skilled workers to Australia and other more favoured areas.

During the past year, however, the government has introduced a number of policies designed to restore the country's economic health. In addition to short-term measures to slow the growth in domestic demand and to contain the rising internal deficit, it has taken concrete steps toward the basic restructuring of the economy that many feel is essential for the country's long-term vitality. These include programs to conserve imported energy, to develop domestic energy resources, to draft a more attractive foreign investment policy, to partially abolish long-standing price controls, to introduce a certain degree of flexibility into some aspects of the import licensing system, and to develop a new and less rigid exchange rate policy. Exports are being encouraged through a variety of direct and indirect incentives and individual industries are being examined with a view to improving their international competitiveness.

In the short term, despite these efforts, the country's economic outlook does not look particularly bright. A negative growth of 1.5 percent in gross domestic product, for example, is expected during fiscal year 1980-81. The rate of inflation promises to be slightly lower than during the previous year but is not likely to fall below 15 percent. Industrial production is thought unlikely to match even the minimal growth recorded in 1979-80 while, in real terms, it is believed that both private and public investment will decline. The trade surplus will also narrow although both exports and imports are forecast to rise at a significantly lower rate than they did in the previous year.

In the longer run, however, there seems little doubt of New Zealand's underlying prosperity. As one of the world's largest and most efficient food producers, its agricultural products will continue to be in demand in an increasingly populous world. It is rich in energy resources - coal, natural gas and water power - and is expected to become a major producer and exporter of forest products by the end of the decade, just at the time when shortages of mature timber begin to develop in other parts of the world. The rationalization of industry and the encouragement of exports generally can be expected to have a favourable effect on its overseas sales of other kinds of manufactured goods. In short, if the country's current difficulties can be endured, the longer-term outlook is reasonably bright.

Agriculture

Although the agricultural sector generates only some 9 percent of gross domestic product, it continues to dominate New Zealand's export trade, accounting for around 70 percent of total sales abroad. The basis of the agricultural system is grasslands farming which, despite the rather mountainous nature of the country, is carried on over nearly one-half of its total land area. Good soils, extensive research, imported fertilizers and a climate which allows all year grazing have enabled New Zealand's pastoral products to overcome the handicap of distance and to compete successfully in world markets.

New Zealand is currently the largest exporter of sheepmeat in the world and one of the three largest exporters of meat in general. It is second only to Australia as an exporter of wool and is a major international supplier of all dairy products. Such dependency, of course, makes it especially sensitive to external market changes. Moreover, the integrated nature of most pastoral production means that changes in the market conditions for one product may affect the supply or the production costs of others. This is obvious in dairy production where a marketing problem with cheese might have to be offset by increased output of butter or other products. It applies to the quite separate markets for wool and sheepmeat, each of which is complementary to the other, and to beef production which is generally associated with sheep farming but which also provides an important part of the total returns to dairy farming. Industrial by-products such as leather are also part of an integrated production process as is the production of a number of crops and seeds. There is thus a balancing problem at all times in

which a relatively fixed supply of livestock, variable only in the longer term, must cater for a complex and often volatile set of international market situations.

A network of other industries is also involved in the processing, transport, distribution and marketing of agricultural produce and in providing the inputs of goods and services essential to agriculture such as research, advisory services, education and finance. The manufacturing sector is based partly on agricultural supplies and the assembly of farm plant and machinery. Since all these activities are linked to an efficient farm sector, highly competitive in world markets, there exists a potential still to be fully realized for major export growth from agriculture-related industries and technical services. This has been increasingly recognized in New Zealand's external aid programs, which have a strongly agricultural bias, and in the diversification of its exports.

Meat continues to be New Zealand's principal export commodity, accounting for just over \$700 million worth of overseas sales in 1978. The major market for New Zealand lamb is still the United Kingdom although important sales are now being made as well in North America, Japan, Greece and the Middle East. Mutton is sold principally to Japan, the Soviet Union and South Korea. The United States is by far the largest customer for New Zealand beef despite the imposition in recent years of voluntary import quotas. Overseas sales of wool in the same year came to \$580 million and those of dairy products - which have become far more diversified in recent years with respect to both the number of products and number of markets - to \$450 million. There are significant exports of both fruits and vegetables as well.

Fisheries

This sector has not until now played a very significant part in the New Zealand economy accounting as it does for only some 0.2 percent of the gross domestic product and for around 1.8 percent of its exports. It has nevertheless come a long way in the past fifteen years or so. Landings have increased considerably and a far greater variety of fish are being caught and utilized although two or three dominant species still account for a large proportion of the total tonnage. An equally important development has been the cultivation of rock lobsters, oysters, mussels and scallops whose total value is now even higher than that of the so-called "wet fish".

The total value of New Zealand's fish exports in 1978 was \$57.5 million. Of this, wet fish accounted for 52 percent, rock lobsters for 39 percent, and other shellfish for the remaining 9 percent. The rock lobsters are exported principally to the United States. Australia and Japan take the bulk of the other products although sales are being made to an increasing number of other overseas countries.

Since the Territorial Sea and Exclusive Economic Zone Act came into force on April 1, 1978, establishing a 200-mile zone, foreign trawling activity on New Zealand's continental shelf has been strictly enforced and catch limits imposed. Although the domestic industry is not yet in a position to exploit the zone's resources as fully as it would wish, it is nevertheless establishing new processing facilities - particularly for export - as well as putting larger vessels into operation and developing more sophisticated fishing gear and fishing methods. Further progress in this regard during the 1980's will depend to a large extent on the success of the government's efforts to introduce new technology and expertise - as well as access to markets - by establishing joint ventures between domestic and overseas interests.

Forestry

This sector accounts for just under 1 percent of New Zealand's gross domestic product but for some 7 percent of its exports. Altogether forests cover around 26 percent of the country's total land area. Of this, however, only about one-quarter is considered to contain economically exploitable timber. The remainder is largely Crown-owned indigenous forest which, because it covers much of the remote mountainous high-rainfall country, has soil protection and water regulation as its primary function. In the exploitable forests, a gradually declining share of production is being supplied by native species. Artificially planted forests of exotic conifers - principally radiata pine - now account for some 90 percent of the roundwood cut, a proportion that will undoubtedly continue to rise. Most of these plantations were established between 1923 and 1936 and, thanks to a growth rate three times that in European and North American forests, began reaching maturity in the 1950's. Plantings are continuing, with an expected 140,000 acres to be put in place each year up to 1985. As a result, wood supply is expected to increase rapidly, possibly tripling by the end of the century and raising forestry's export earnings to as much as one-quarter of the value of total overseas sales.

A wide range of products is derived from these resources although a number of them are produced almost entirely for domestic use. The main export commodities are timber whose principal market is in Japan, and pulp and paper which are sold largely in Australia. A special government task force is currently looking into ways of developing the industry further and of opening additional overseas markets.

Mining

Mining is currently responsible for only some 0.5 percent of gross domestic product. With a few exceptions, most minerals have to be imported into New Zealand, although domestic resources are undoubtedly larger and more widespread than present production levels would suggest. Gold, which once accounted for three-quarters of the country's export earnings, has since become relatively insignificant although some recovery may be expected with rising world prices. The most important minerals being currently exploited are, in order of value, construction materials, coal, ironsands and natural gas.

Construction materials are represented by substantial reserves of limestone, sand, dolomite, pumice and high grade clay. Coal production - bituminous, sub-bituminous and lignite - has varied between 2 million and 3 million tons annually over the past forty years, although total recoverable reserves are estimated at close to 1,200 million tons. The existence of extensive ironsand deposits has been known for more than a century but it was only recently that their exploitation became technically and economically feasible. Construction of a steel plant at Glenbrook, which would use these sands exclusively, was completed in 1970 and the mill now provides a significant proportion of the country's steel requirements. A certain amount of the ironsands are also exported. Deposits of natural gas were struck at Kapuni in 1959 and are currently being used to supply Auckland, Wellington and other North Island centres as well as for electricity generation. This field has since been overtaken, however, by the offshore deposits at Maui which were discovered as recently as 1969 and whose reserves are estimated to be nearly fifteen times those at Kapuni. These will be discussed in more detail in the following section on energy.

Energy

New Zealand is extremely fortunate in the size and variety of its energy resources. Of its current demand, some 56 percent is supplied by oil, 25 percent by electricity, 15 percent by coal and

around 4 percent by natural gas. Its principal deficiency is in oil where some 85 percent of its requirements have to be imported from abroad - the remainder being supplied in the form of condensates from the Kapuni gas field. Up until 1973, the use of petroleum had grown rapidly, particularly for transportation purposes. Since then, the volume of imports has declined but rising prices have raised the annual bill from \$94 million to \$800 million with a devastating effect on the country's balance of payments.

It is because of this situation - and the growing unpredictability of foreign supplies - that the government has developed new policies designed to reduce New Zealand's dependence on imports, to develop its various domestic sources more fully and to achieve greater efficiency in their use. An important part of these efforts will be the development of the Maui natural gas field, some 26 percent of whose production is to be directed to industrial and household use, 25 percent to the production of methanol and synthetic gasoline, 14 percent to compressed natural gas or liquified petroleum gas, and 9 percent to the generation of electricity. In total, more than 60 percent of the field's production will substitute for oil imports with the result that, for transportation purposes at least, New Zealand will be more than 50 percent self-sufficient within the next six years. Total self-sufficiency in refined petroleum products is to be achieved through the expansion of the Whangarei refinery.

Electricity generating capacity has been increasing rapidly in recent years and is now well in excess of demand. In addition to the search for new coal, oil and gas reserves, investigations are being made into the geothermal potential of the volcanic central position of North Island, as well as into the possibilities of wind and solar power.

Manufacturing

In the interests of creating more opportunities for employment and reducing the country's dependence on external factors, domestic industrial development has been promoted by successive governments throughout the entire postwar period. As in many developing countries, the emphasis at first was on import substitution with the result that, in more cases than not, the industrial sector grew in a rather artificial environment with many industries depending on high levels of effective protection. This strategy was tenable as long as agricultural output and export volumes were steadily increasing. By the mid-1960's, however, this was no longer the case and it became apparent that, if New Zealand were to continue to earn

the overseas exchange it needed to purchase the raw materials, fuel and equipment required for domestic development, a broader range of export commodities - including manufactured goods - must be established. The former policy of import substitution, therefore, is being gradually replaced by one of encouraging industries which are able to compete not only at home but abroad as well. Many of these, naturally enough, are concerned with the processing of the country's natural resources. In other cases, however, opportunities have grown up for special and sophisticated products where considerations of scale are less important and where New Zealand producers can fill demands which would be unattractive to larger producers. Adaptations of foreign machinery and equipment to suit local conditions have also proved valuable in selling to other developing countries.

Manufacturing in New Zealand currently accounts for about 25 percent of gross domestic product and for just about the same proportion of the labour force. In general, producers can be divided into two groups. By far the largest includes those firms which are still heavily dependent on the domestic market. Most of these are rather small. About half of New Zealand's factories, in fact, employ fewer than ten people and only 2 percent have a work force of 200 or more. At the moment, this group is faced with falling demand, shortages of skilled workers and supervisors, labour unrest, high interest rates, tight credit and repeated threats by government that it may be time to reduce the level of domestic protection and to expose them more directly to the cold winds of international competition. In the circumstances, investment in these industries has tended to be rather low in recent years.

For the other and much smaller group - whose firms are heavily involved in export - prospects are considerably brighter. Sales abroad of manufactured goods have been growing steadily in recent years, accounting in 1979 for well over 24 percent of total export earnings. Generous government incentives to exporters, combined with the continuing availability of finance for export-related costs, have encouraged manufacturers to move more heavily into production for foreign markets where they have, generally speaking, proved to be quite competitive. By the mid-1980's, it is estimated such export sales will have grown to the point where they will account for as much as 35 percent of overseas receipts. Among some of the larger projects is the New Zealand steel plant at Glenbrook which is expected eventually to provide the bulk of the country's own steel requirements as well as exports to such markets as China and North Korea. A large-scale aluminum smelter, based on South Island's abundant supplies of hydro-electric power, has been established by an

Australian-Japanese consortium which uses Queensland alumina and re-exports its products to both countries. Rapid expansion is taking place as well in the pulp and paper industry with assured markets in Australia, Japan and other Pacific countries.

It should be noted, however, that some 84 percent of total manufactured output, despite this expansion, will continue to be destined for the domestic market. Taking the sector as a whole, therefore, the future outlook will depend to a large extent on the policies - restrictive or expansive - that the government decides to adopt in order to deal with the many more general problems currently plaguing the economy.

Transportation and Communications

New Zealand's relatively sparse population, the separation of the main islands from one another, and the generally mountainous nature of the terrain make transportation facilities both necessary and costly. There are 3,000 miles of railway line and some 60,000 miles of roads, of which nearly one-half are paved or sealed. Domestic air services in 1978 flew a total of nearly 18 million miles. In the same year around 35 million tons of cargo, both coastal and international, were handled at the various ports.

The New Zealand government is heavily involved in this sector. Virtually the entire railway system is owned by the state, as is Air New Zealand and the New Zealand Shipping Corporation. Either directly or through quasi-government agencies, it builds and maintains roads, harbours, airports and railway facilities, regulates competition within and between the various modes of transportation, and imposes and enforces detailed and extensive safety regulations. Postal and telecommunications services are also the responsibility of the New Zealand Government.

NEW ZEALAND OVERSEAS TRADE

General

Overseas trade is a significant factor in the economic life of New Zealand. With a domestic market of little more than 3 million people, it is understandably dependent on export sales to maintain its traditionally high standard of living. Exports currently account for some 22.7 percent of the country's gross domestic product - a figure almost comparable to that of Canada - while imports make up close to the same proportion of gross national expenditure.

New Zealand's mounting deficit on invisibles - that is to say, payments for transportation, travel and the servicing of overseas debt - makes the balance of trade even more important. Traditionally, the country has enjoyed a trade surplus but in the past few years, with the loss of its preferences in the British market and the heavy price of overseas oil, the balance has showed either a deficit or a surplus too small to compensate for its payments on invisibles. It is concern over the balance of payments situation that has been largely responsible for the government's pre-occupation over the past few years with finding new overseas markets for its agricultural products, with expanding the range of such products, with encouraging industrial exports, with establishing domestic suppliers of many of the industrial goods which are currently being imported and with working out a more closely adjustable system of exchange rates.

As a country which must export to live, New Zealand has always been extremely vulnerable to the various market and other forces at work in the economies of its trading partners and indeed in the international economy as a whole. In common with many other primary producers, this vulnerability is accentuated by the fact that nearly two-thirds of its export revenue comes from the sale of a limited number of agricultural and other primary products which, for various reasons, tend to be subject to severe price fluctuations. Taken with similar fluctuations in the price of world oil and a consequent rise in the price of many other imported products, there has been constant movement in the terms of trade, that is to say, the index of the purchasing power - in units of imports - of a fixed quantity of exports. Based on the year 1957, the index reached a peak of 113 in 1973, thanks to a short-lived boom in export prices but fell to 72 only three years later. It remains to be seen to what extent the growing improvement in the world price of wool, meat and other primary commodities will remedy this situation, and to what extent the

growth of local manufacturing industry, the encouragement of exports and greater self-sufficiency in oil will affect the balance of trade as a whole.

Trade Policies and Objectives

Given the importance of agricultural products in New Zealand's export trade, it is not surprising that its major concern is with gaining improved access for such products in overseas markets and achieving reasonable and stable prices. New Zealand has consequently played an active part in all the more important international trade and economic organizations in which such problems are discussed. It was, for example, one of the original signatories to the General Agreement on Tariffs and Trade (GATT) in 1947 and has been a full member of the Organization for Economic Cooperation and Development for the past seven years. With regard to specific commodity arrangements, it has adhered to both the International Dairy Arrangement and the International Meat Arrangement which resulted from the recent multilateral trade negotiations in Geneva. As an importer, it participates in the International Sugar Agreement and the International Coffee Agreement.

In common with many other primary producers, however, New Zealand has for some time experienced a measure of frustration in its attempts to sell abroad. It is for this reason that, although the General Agreement is the principal instrument in the establishment and enforcement of international trade rules, there has been a certain amount of disillusionment on New Zealand's part toward the way such rules work out in practice. It is considered, for example, that many of the earlier tariff concessions offered on agricultural products, particularly by the Europeans, have been subsequently nullified by the imposition of import levies, export subsidies and other devices to which the GATT rules tend to be applied with rather less stringency. There is, in their view, a growing disparity between the benefits accruing to the industrialized nations under the General Agreement and the far less tangible advantages provided for primary producing countries such as New Zealand.

The positions taken by New Zealand in international bodies, therefore, tend to be focussed far more than those of Canada on issues specifically concerned with questions of agricultural access and the subsidization of export sales. Because of the difficulty of gaining adequate concessions for such products from its major trading partners, New Zealand has also tended to participate in a much more

limited way in multilateral trade negotiations such as the Tokyo Round, particularly since the establishment of the "across-the-board" approach to tariff reduction.

These concerns have had a great deal to do with its bilateral relations as well. Traditionally, the driving force behind the growth of the economy was the development of a specialized farming sector which catered largely to the British market and those of certain others of its major trading partners. As already noted, however, some of the difficulties which began to be experienced in these markets have since resulted in a search for diversification, not only in the sense of finding other countries where these goods might be sold but in the sense of developing new and "non-traditional" exports as well, both primary and manufactured.

In the latter connection, there is little doubt that the most important of New Zealand's bilateral agreements is the New Zealand-Australia Free Trade Agreement (NAFTA) which came into effect on January 1, 1966. The main objective of this arrangement was to expand trade between the two countries in such a way as to further the development of the area and the use of their respective resources. At the core of the Agreement was a list of goods on which duties were to be progressively reduced and bound at free in the tariffs of both countries. The original list contained some 900 items and others have since been added. Trade in these commodities currently represents about 65 percent of shipments between New Zealand and Australia. A further understanding on tariff rates and preferences was reached in late 1977 under which both countries undertook not to raise tariffs against one another and to maintain agreed minimum margins of preference over imports from non-preferential suppliers. The agreement also made clear the intention of both countries to set tariffs against each other on manufactured goods at the lowest possible level consistent with protection of domestic production, while at the same time permitting reasonable competition from the other partner.

How far these various initiatives will go remains to be seen. As the reductions have taken place, there has been some evident reluctance on the part of businessmen in both countries to see themselves exposed to too great a degree of free trade. A general feeling has accordingly developed in the past few years that, useful as the Agreement may have been, it has perhaps gone about as far as it can go for the moment and that new forms of cooperation should be sought which might be better suited to the changing world trade environment. Discussions on this possibility have already begun.

In the meantime, increasing attention is being paid to other parts of the Pacific area. New Zealand has played an active role in such regional organizations as the United Nations Economic and Social Commission for Asia and the Pacific, the Colombo Plan, the Asian Development Bank, the South Pacific Forum, the South Pacific Bureau for Economic Cooperation, the South Pacific Commission and the Pacific Basin Economic Council. In trade terms, its interest in the region is admittedly by much less than that of Australia, lacking as it does the same range of industrial raw materials and manufactures for export. Only some 42 percent of its foreign shipments, for example, go to Pacific countries - including Canada and the United States - as opposed to over 70 percent for Australia. As its manufacturing capabilities develop, however, and the rapidly growing economies of South East Asia create new demands for foodstuffs and other primary products, this situation can be expected to change.

Of particular interest to New Zealand are the neighbouring South Pacific islands with which it has always enjoyed close ties and for whose economic development it has always considered itself to be especially responsible. The strength of this relationship is indicated, among other things, by the fact that some 65 percent of New Zealand's bilateral aid is currently directed to these islands. It has also undertaken to encourage and liberalize trade with the islands to the greatest possible extent. Together with Australia, it has already negotiated a draft agreement with the other member countries of the South Pacific Forum, that is to say, all the independent nations of the South Pacific plus the Cook Islands, Tokelau and Niue. This so-called South Pacific Regional Trade and Economic Agreement (SPARTECA) would essentially grant non-reciprocal duty-free access - and, in a few cases, preferential access - to New Zealand and Australian markets for South Pacific products, largely fisheries and agricultural commodities, small manufactures and handicrafts. To achieve this, New Zealand has offered general access save for a short list of sensitive goods, most of them in the fully manufactured category.

New Zealand's reaction to the recent and more comprehensive suggestion of a Pacific Community, however, has been rather restrained. One of the important problems of the 1980's, Prime Minister Muldoon has pointed out, will be to find ways to ensure that the economic dynamism shown by Japan and its Asian neighbours will benefit the other countries in the region, particularly the smaller ones such as the South Pacific islands. So far, the latter's reaction to the Community concept has been rather lukewarm. Some concern has been expressed, for example, that their present relationship with both

New Zealand and Australia could be damaged by any attempt to pursue a larger and less digestible concept of cooperation, especially in view of their newly-won independence and their preoccupation with the economic and administrative responsibilities that this entails. In the circumstances the present arrangement of association through the South Pacific Forum and South Pacific Commission is, for the moment at least, far more to their liking. In view of these reservations and its own doubts as to the specific advantages to be derived from the proposal, New Zealand has so far tended to take a rather non-committal position.

It might be noted, however, that apart from this preoccupation with its immediate neighbours on the one hand and the prospect of increasing market diversification on the other, an unavoidable fact about New Zealand's trading situation is that it still relies heavily, for many of its most important export commodities, on access to particular countries. Despite its attempts at diversification, lamb and butter still tend to be dependent on the United Kingdom market, beef depends on access to the United States, and many of its new non-farm exports depend, for the present at least, on markets in Australia. Both now and in the immediate future, the solution to many of New Zealand's economic problems may have to be worked out within this framework.

Composition and Direction

Of the \$3.1 billion worth of New Zealand exports in 1978, agricultural products - including wool - were still preeminent. There have nonetheless been considerable changes in the general composition of the trade over the past twenty years or so. Since 1960, the proportion of total exports accounted for by foodstuffs and live animals has fallen from 54 percent to around 44 percent while sales of inedible raw materials have decreased from some 42 percent to just over 28 percent. Manufactured exports, on the other hand, have risen quite spectacularly from only 1.6 percent to nearly 20 percent.

On the import side, the changes have been less striking. The main difference is in the manufacturing sector where New Zealand's increasing self-sufficiency has brought down the proportion of total imports from just over 70 percent in 1960 to some 59 percent in 1978. This is more evident in the category of "manufactures classified chiefly by material", however, than it is in the case of machinery and transport equipment which continues at much the same high level of

demand that prevailed twenty years previously. The proportion of imports has also risen in the case of chemicals and, for obvious reasons, in the case of crude petroleum and petroleum products.

The direction of trade has also seen considerable changes during the period in question. While Britain still remains New Zealand's major market by a significant margin, it nevertheless accounts for something less than 19 percent of the country's total exports as opposed to just over 53 percent in 1960. Japan's share, on the other hand, thanks largely to sales of unwrought aluminum and forest products, has risen from 3 percent to just under 14 percent, while that of Australia, as the free trade arrangements have gradually taken hold, have gone up from just over 4 percent to nearly 13 percent. Almost as striking - and probably even more significant as a reflection of New Zealand's success in seeking out new and broader markets - has been the increase in sales to "other countries", rising from around 11 percent in 1960 to over 25 percent in 1978.

On the import side, Australia has replaced Britain as New Zealand's principal supplier although its share of New Zealand's total imports has risen only from 18 percent to around 22 percent. Britain still remains second but its share of the total has fallen drastically, from nearly 44 percent in 1960 to only 18 percent in 1978. The difference has been largely taken up by significantly higher purchases from Japan, the United States and - thanks to rising oil prices - from Saudi Arabia and Iran.

Market Outlook

The main interest of New Zealand's trading partners, of course, is not so much in the present composition and direction of its trade as it is in the outlook for the years immediately ahead, particularly on the import side. The following sections highlight the situation in each of the main sectors of the economy and the kinds of demands that seem most likely to present themselves. While demand in general is expected to remain reasonably high, considerable variation will be noted in the opportunities offered in different areas.

Agricultural Products

New Zealand is relatively self-sufficient in agricultural products, the value of its imports in 1978 amounting to only \$152 million or around 5.5 percent of its total purchases from abroad. Of this amount, furthermore, nearly 60 percent consisted of tea, coffee, cocoa, spices, sugar and sugar preparations, none of which are

produced domestically. Fruits and vegetables accounted for a further 27 percent. It does not seem likely that this situation will change to any appreciable extent. Canada's share of these imports at the moment is fairly minor, amounting to only \$4 million or about 3 percent of the total. The greater part of this consists of ham and pork, although spice products, bakery products, canned fruits, canned vegetables and pickles are also sold. Most future opportunities would seem to lie in an expansion of these sales.

Fish and Fish Products

Until recently, the New Zealand fishing industry was largely made up of a number of small vessels engaged principally in coastal fishing. It is now beginning, however, to develop into a larger and more sophisticated operation involving deep water vessels and associated processing facilities. Its potential is believed to be substantial, thanks to the recent establishment of its 200-mile Exclusive Economic Zone which is not only one of the largest in the world but contains quantities of fish which can be exploited on a scale not previously envisaged by the domestic industry.

With the development of the industry, heavy investment will be required for larger fishing vessels for deep water use. Related investments in port facilities, processing, and transport and distribution facilities will also be needed. These are areas in which Canadian ability has been demonstrated. With regard to the sale of fish and fish products themselves, however, opportunities would seem to be more limited. With its small population, New Zealand is already fairly self-sufficient, its imports in 1978 amounting to only \$9 million or about 0.27 percent of its total purchases from abroad. Canada supplied roughly one-third of this value. Such imports are not expected to grow at a very rapid pace, although the removal of New Zealand's seven-year health ban on the importation of smoked and frozen salmon could do a great deal to improve Canadian sales.

Forest Products

New Zealand's future demand for forest products from abroad will depend to a large extent on the development of its own domestic softwood plantations. Roundwood supplies for 1980 are expected to amount to 9.5 percent cubic metres, rising to 11 million by 1990 and to 20 million by the end of the century. During the 1980's, even a minimal growth in domestic demand seems likely to absorb all of the predicted increase and might even necessitate a drop in the export of solid wood products in the early years of the decade. During the

1990's, on the other hand, supplies will increase to a large enough extent to leave ample margin for export, this at a time where much of the rest of the world is likely to experience a shortage of large logs for sawing and peeling as its virgin forests are depleted.

New Zealand's imports of forest products in 1978 were valued at just over \$48 million. Of this amount, some 67 percent was made up of paper and paper products, most of them in the "special papers" category. Another 27 percent was made up of wood products, including Douglas fir, redwood and western red cedar for structural uses, exterior joinery and weatherboards; Australian hardwoods for use as large poles, crossarms, wharf, bridge and constructional timbers; and tropical hardwoods for the furniture trade and specialty purposes. Short-fibred pulp accounted for the remaining 6 percent. Canada's sales to New Zealand during that year totalled around \$1.2 million, of which lumber accounted for 35 percent, paper for 23 percent and pulp for 19 percent. The remaining 23 percent was made up of shingles, shakes and other wood fabricated products. The extent to which such sales are likely to continue will depend to some extent on the degree to which local industry turns to the production of more sophisticated products. Given the special nature of most of its imports, however, the future appears fairly favourable.

Minerals and Mineral Products

As already noted, New Zealand has very few reserves of native minerals other than construction materials, coal, ironsands and natural gas. Its mineral imports in 1978 consequently came to \$597 million or 18 percent of its total purchases abroad. Of this, however, just over \$505 million was accounted for by petroleum and petroleum products. Of the remaining \$92 million, Canada supplied around \$17 million, the bulk of it made up, in descending order of importance, of sulphur, asbestos and iron and steel shapes. Opportunities for such sales in future seem likely to continue save in the iron and steel sector where New Zealand's own rapidly growing industry may take over an increasing share of domestic demand.

Chemicals

This is one of New Zealand's major importing sectors, its purchases in 1978 amounting to \$446 million or nearly 14 percent of its total purchases abroad. Chemical elements and compounds made up the largest item in this category, followed closely by plastic resins, the two together coming to over 60 percent of the total. Most of this

trade is in the hands of multinational companies which tends to limit the opportunities for independent sales although many such opportunities do in fact exist.

Canadian sales were relatively minor, amounting to less than \$9 million. Nevertheless, as noted above, sizeable quantities of Canadian sulphur have been sold, to be used for the most part in the manufacture of phosphate fertilizers. For much the same reason, Canadian potash producers have also found a receptive market for their product in New Zealand. Sales of Canadian petrochemicals have been growing as well. Such products have become increasingly competitive, particularly during the past several years, with the completion and start-up of large new world-scale plants in Alberta and Ontario. These new facilities, the additional facilities which are to be constructed in the medium term future, and the lower than world prices of Canadian natural gas and crude oil feedstocks, all provide the prospect of further increases in both the volume and diversity of exports.

Opportunities for joint ventures, while not numerous, also exist, as indicated by the fact that a Canadian manufacturer of methanol was recently chosen by the New Zealand Government as the foreign partner in the establishment of a domestic methanol plant, a choice which is illustrative of the growing expertise of Canadian firms in the petrochemical sector.

Machinery

As indicated earlier in the paper, imports of machinery are probably the most important of New Zealand's purchases abroad, reaching a value in 1978 of \$666 million or more than 20 percent of total imports. While some of this may be gradually replaced by domestic production, the movement of the manufacturing sector in general into broader and more sophisticated areas seems likely to create enough new demand that the proportion will, if anything rise even further.

The opportunities are numerous. In the agricultural sector, new initiatives are expected during the 1980's that may lead to a 50 percent increase in production, thus opening up even greater markets for farm machinery and food processing facilities. The same applies to the fishing industry and to the forest processing industry. In the latter connection, there will be a significant increase in the amount of timber harvested during the decade and the establishment of several new pulp mills and at least fifty new sawmills

is predicted. In the forest harvesting equipment sector, Canada has already gained an international reputation for reliable and competitively-priced products of a conventional nature as well as for the specialized equipment used in harvesting steep slope forests and other difficult areas. The same applies to Canadian sawmill machinery and to such related items as lumber sorters, dry kilns and pressure treatment plants. Finally, a high order of technological expertise has been developed in Canada in the field of pulpmill equipment and the manufacture of newsprint.

A broad range of projects in the mineral and energy field have also been identified. Prospecting work in the form of geological, geophysical and geochemical surveys has increased. Expansion is expected to take place in the mining of ironsands to satisfy the rising demands of domestic steel producers, as well as in the mining of molybdenite, lead, zinc and copper. All of this should be of benefit to Canadian producers of mining machinery and other related equipment. Similar opportunities are expected in the exploration for new natural gas deposits, its extraction, treatment and transportation.

Electrical and Electronic Products

New energy initiatives in New Zealand should also establish a demand for equipment purchases from abroad. At the moment, there is a fairly large surplus of hydro-electric power and, until this is utilized, there is little likelihood that new projects will be started. There nevertheless continues to be a demand for certain sophisticated equipment of the type produced in Canada. Canadian sales of telecommunications equipment in 1979 amounted to just slightly over \$1 million.

Transportation Equipment

New Zealand's imports of transportation equipment in 1978 were valued at some \$350 million or well over 10 percent of its total purchases from abroad. Canada did not play too significant a part in this, supplying only around \$2.5 million. About 20 percent of these Canadian sales were accounted for by exports of special vehicles and automotive parts and accessories. While there seems to be some potential for even further sales of special vehicles, particularly in the area of mining developments, the greater opportunities would appear to lie in automotive parts.

Opportunities for aircraft would appear to be relatively slight although demand could arise for such specialized items as water bombers, courier/air express craft and possibly corporate jets. In the shipbuilding sector, the establishment of a 200-mile economic zone will undoubtedly create a demand for larger ocean-going vessels to replace the smaller craft used in coastal waters. Canadian sales of aircraft engines and parts in 1978 totalled only \$626,000 while ships amounted to \$496,000.

Textiles and Consumer Products

New Zealand's textile industry, which is relatively small, produces woollen and man-made fibres and fabrics, canvas goods, knit goods, carpets and other made-up products. Although Canada managed to sell some \$3.3 million worth in 1978, future opportunities seem likely to be fairly selective and where competition, particularly from Asian suppliers, is strong, Canadian firms are likely to benefit only marginally.

In the area of personal and household goods, opportunities tend to be limited by import licensing on the one hand and, on the other, by the not entirely coincidental fact that a wide range of such products are manufactured locally. Canada was, however, successful in selling some \$130,000 worth of toys, games and sports equipment in 1978, as well as \$334,000 worth of other consumer items. As in the case of textiles, future markets appear likely to be equally selective.

Construction and Consulting Services

Opportunities for Canadian services are to be found in resource-related capital projects. With this area only now being developed the pace of activities is likely to move cautiously. Much will depend on the world market situation. To establish a presence and improve a consultant's competitive position, the opening of an office in New Zealand or adequate local representation is required. In the resource area, there may be a requirement for the supply of engineering construction project management as well as the supply of equipment.

INSTRUMENTS OF NEW ZEALAND TRADE POLICY

Customs Tariff

The New Zealand Customs Tariff has been based on the Customs Cooperation Council Nomenclature since July 1, 1967. On July 1, 1978, a fully revised Customs Tariff was introduced, based on the recommendations of a Tariff Review Committee which sought to make it compatible with modern trading conditions, industrial development requirements and administrative facility. Individual rates were set at levels which, in the committee's view, would give domestic industry a reasonable amount of protection against competing imports if the existence of other forms of protection was disregarded. It also managed to reduce the number of individual tariff duties by nearly one-half.

The tariff is a two-column tariff with normal (most-favoured-nation) and preferential rates. The preferential rates are those applicable to Canada, Australia, Malaysia and the developing countries. The normal rates apply to imports from all other sources. Most rates are ad valorem although a few are specific.

It should be noted that the preferences previously accorded to products of the United Kingdom no longer apply. In the wake of that country's decision to become part of the European Economic Community, the New Zealand-United Kingdom trade agreement was abrogated on January 31, 1973. The latter's preferences in New Zealand were accordingly phased out in four steps which - except in the case of certain motor vehicles and accessories - began on July 1, 1974 and were completed by June 30, 1977.

In response to the UNCTAD recommendation that developed countries introduce generalized systems of preference (GSP) in favour of developing nations, special rates for such nations were incorporated in the New Zealand Customs Tariff as of January 1, 1972. On July 1, 1976, a revised system was introduced, based on an intention to maintain, in terms of GSP criteria, specified margins of preference for developing countries up to a level of 20 percent. The new scheme was based on the negative-list concept and significantly increased the previous coverage, every effort being made to keep the list of exceptions to a minimum. For the year ending June 30, 1978, total imports into New Zealand from GSP beneficiaries came to \$550 million, of which only \$43 million was subject to duty. Of this

latter figure, \$32 million was admitted at special developing country rates, leaving less than 2 percent of the total excluded from either duty-free or preferential treatment.

Since December 17, 1976, special provisions have also been in effect for the duty-free importation of specified handicraft products. The revised Customs Tariff introduced on July 1, 1978 did not improve significantly on the overall scale of preferences, although a number of individual rate adjustments were made, including a lowering of tariff levels applicable to developing countries in some cases where they had been relatively high. Although no concurrent changes were made in rules of origin, New Zealand had already adopted on October 1, 1975 the "cumulative" principle whereby content from any developing country could be aggregated to comply with the minimum requirement. Provision was made at the same time for the goods of one beneficiary country to enter the commerce of other beneficiary countries without interfering with their right to enter New Zealand under preference.

Upon application, the Department of Customs may grant concessional duty-free entry for products not available locally. In such a case, preferential margins are temporarily suspended for the duration of the order.

Anti-Dumping and Countervailing Duties

A provision is made in the Customs Act of 1966 (as amended) for the imposition of anti-dumping duties in addition to the normal import duties after an enquiry and report by the Customs Department and upon notification in the New Zealand Gazette specifying the goods to which the duty is to apply, the countries of origin, the level of duty to be imposed and the effective date. Such duties may be imposed if foreign goods of a class or kind produced or manufactured or intended to be produced or manufactured in New Zealand, or in any other country which is a contracting party to the General Agreement on Tariffs and Trade, are being sold to a New Zealand importer at a price less than their current domestic value, and if such sales are considered to have or to be likely to have any effect prejudicial to any industry carried on or to the establishment of any industry in either New Zealand or in such other GATT countries concerned. Additional duties may also be imposed under this Act if it is determined that the goods in question enjoy some special concession whether by way of freight, subsidy, bounty, rebate or otherwise.

It should be noted that, under the Canada-New Zealand Trade Agreement of 1932, dumping duty may not be imposed on goods of Canadian origin unless written notice is given to the Government of Canada and consultations are entered into. If, after 60 days from the commencement of the consultations, a satisfactory solution is not achieved, then dumping duty may be levied.

Valuation for Duty

Ad valorem duty is assessed on the current domestic value (CDV) of the goods. This is defined as the fair market value of those goods when sold for cash in the ordinary course of business for home consumption in the principal markets of the country from which they were exported at the time they were so exported. Where CDV is not applicable, assessment is normally made either (a) by taking the factory cost of the goods and increasing it by the mark-up used by the manufacturer in fixing prices for the nearest comparable article that he sells in the ordinary course of business in the domestic market, or (b) by reference to the price at which identical goods are sold in the domestic market by another manufacturer.

Quantitative Import Restrictions

The most important of New Zealand's trade policy tools is undoubtedly its import licensing system which has been in force now for slightly over forty years. This system attempts to provide a balance between two requirements. One is the need to conserve overseas exchange and to provide market protection for domestically produced goods. The other is the need to meet industry's requirements for raw materials, components and finished goods and to allow consumers a reasonable choice. The overall objective is to contain expenditure on imports to a level which can be sustained by export earnings while ensuring that domestic resources are used as effectively as possible.

At the moment, some 76 percent by value of New Zealand's imports are exempt from licensing requirements, either because they are considered essential, because they are not produced domestically, or for a variety of other reasons. The proportion varies, of course, from sector to sector. Exemption is granted, for example, to some 99 percent of fuel imports, to 95 percent of industrial raw materials, to 90 percent of foodstuffs and chemicals and to 84 percent of fats and oils. At the other end of the scale, only about 60 percent of machinery and transportation equipment is exempt, from 73 to 77 percent of other manufactured goods and some 75 percent of beverages and tobacco.

Those goods which are not exempt are generally subject to two kinds of licences. Basic licences are issued automatically each year - on a global basis - for several kinds of goods: (1) those which compete directly with goods made in New Zealand; (2) goods to supplement domestic production when it cannot fulfill demand; and (3) easily identifiable goods which are outside the range of domestic production altogether. As against this, there are non-basic licences where applications to import goods are considered on their individual merits. These are issued for one year only. The principal items in this group are machinery and mechanical plant.

In general, there are specific policies for different types of goods. Luxury items tend to be discouraged altogether. For consumer goods, annual increases are generally made in the value of licences in order to preserve the volume of imports, such increases being based on either the value of a previous period's licence or on the value of the imports actually entered during that period. Reasonable provision is made for raw materials and components in those cases where there is no suitable domestic source of supply, and suitable consideration may be given to the requirements of export-oriented production. For plant and equipment, need must be established before importation is approved.

The New Zealand government is currently committed to a policy of progressively reducing, so far as its foreign exchange position permits, the range and value of goods subject to licensing. Such liberalization has gone ahead slowly but steadily during recent years. Eventually, it is hoped, only a few hard-core items will continue to be subject to control. New Zealand is a signatory to the International Agreement on Import Licensing which was negotiated during the Tokyo Round of multilateral trade negotiations.

Other Non-Tariff Barriers

Apart from direct restrictions on imports, there are a number of other non-tariff barriers to trade. Among the more stringent are New Zealand's health and quarantine regulations. This stringency is largely due to the importance of agricultural crops and products to the economy and to the geographic isolation and recent settlement of the country which has meant that New Zealand is relatively free of many exotic animal and plant diseases and pests that are widespread elsewhere. This applies even to packing materials. Since the economy is based to such a large extent on primary products which are exported throughout the world, many materials which might transmit disease are accordingly not allowed

into the country at all or are restricted in some way. While there may be a few cases where such regulations appear to be unnecessarily strict, these would generally seem to be the result of over-caution rather than any hidden attempt to provide protection for local producers.

New Zealand is a signatory to the new International Code on Technical Barriers to Trade which was negotiated during the Tokyo Round. It is considering but has not yet signed the Code on Government Procurement.

Export Controls and Incentives

There are two types of export control in New Zealand. The Export Production Regulations control the shipment of essential goods in short supply, of goods on which subsidies have been granted and of goods shipped to strategic destinations. The Export License Regulations simply ensure that all overseas exchange earned by an exporter is sold to a New Zealand bank for New Zealand currency.

Export incentives also tend to fall into two categories, those which directly reward export performance and those which attempt to lower the costs of finding and developing overseas markets. In late 1979, the existing system, which had grown up largely on an ad hoc basis, was rationalized and consolidated. Details of the new schemes will be found in Appendix I.

Exchange Rate

On June 21, 1979, New Zealand devalued its currency by 5 percent. At the same time, the concept of a fixed rate based on a basket of currencies of its major trading partners was abandoned in favour of a crawling peg system. The tendency for costs in New Zealand to rise at a faster rate than those in the countries with which it trades has led in the past to a continuing erosion of export profitability. Although from time to time such profitability was restored by comparatively large adjustments in the exchange rate, uncertainty about both the size and timing of these adjustments did not provide the best kind of environment to encourage investment in export-based industries.

The new system is an attempt to ensure that this does not happen in future. At quarterly intervals, forecasts are now made of the increase in production costs in New Zealand and of the rates of inflation of those countries with which it carries out most of its

trade. These foreign rates are then trade-weighted and the difference between the composite foreign figure and the rate of increase in domestic costs is used as the basis for adjustments to the exchange rate. These adjustments are carried out step by step in fairly small increments during the following three months. Since mid-1979, the New Zealand dollar has declined against its basket of currencies by an average of some 0.375 percent per month, a decline which is expected to continue at much the same pace through 1980. While this may have a negative effect on the balance of payments in the short term, it should obviate the need for any major devaluations in the future and by so doing, should restore exporter confidence. The current exchange rate, as of July 15, 1980, was \$1 New Zealand = \$1.14 Canadian.

While a more flexible exchange rate system promised to reduce much of the uncertainty faced by exporters and importers in their forward planning, there was still the possibility of substantial unforeseen changes in the value of the New Zealand dollar as against an individual foreign currency. This could significantly affect the New Zealand dollar value of a commercial contract written in that currency. To meet this problem, an improved forward exchange system was introduced at the same time as the crawling peg technique. Those with a need to purchase or sell foreign exchange at a future date are now able to enter into forward exchange contracts with New Zealand trading banks to buy or sell foreign currencies for delivery up to a year ahead. Whereas previously only trade transactions could be covered by foreign contracts, the system has now been broadened to include all types of foreign exchange transactions including services and capital.

CANADIAN-NEW ZEALAND TRADE AND ECONOMIC RELATIONS

Trade between Canada and New Zealand is governed not only by the provisions of the General Agreement on Tariffs and Trade but by a special bilateral agreement which came into force on May 24, 1932. Essentially this provided for the exchange of bound tariff preferences on certain scheduled goods. Provision was also made for the notification of any proposed increases in these rates by either side, and for the extension of the Canadian preferences to goods produced in Western Samoa and the Cook Islands.

An amending protocol, which came into effect on May 31, 1971, dealt with certain difficulties for New Zealand arising from the direct shipment clause of the agreement, with the application of anti-dumping laws and regulations following the negotiation of an international anti-dumping code in Geneva, and with the establishment of consultative procedures for the operation of the agreement and for any related trade or economic matters of interest. Included in these was the organization of a joint Canada-New Zealand Consultative Committee.

The agreement was further supplemented in 1973 by an Exchange of Letters providing for the continuation in future trade between the two countries of the tariff preferences derived from the respective Canadian and New Zealand trade agreements with the United Kingdom. With the latter's entry into the European Economic Community, both these agreements were formally terminated but there seemed little point in terminating the preferences as they applied to trade between Canada and New Zealand. The Exchange of Letters consequently reaffirmed the value of these preferences and established certain conditions and consultative procedures to be followed should either country wish to eliminate them.

Goods traded between the two countries are consequently divided into two categories. "Scheduled goods" are those listed in the original trade agreement. All goods not so listed are "non-scheduled goods". Canada undertakes that it will not raise against New Zealand the statutory preferential rates on the latter beyond those applied on January 31, 1973 except (1) for fiscal purposes; (2) as part of a general or sectoral tariff restructuring program; (3) as a consequence of action based on the recommendation of a tariff advisory body; or (4) in cases of emergency. If it does so, it must give 30 days' notice of its intention and consult with the New Zealand government on any goods of significant interest. A similar commitment

is made by New Zealand which also promises to give sympathetic consideration to representations regarding ways of mitigating any serious consequences to a Canadian exporter where changes are made for fiscal reasons.

Canada also undertakes to maintain certain margins of preference on certain categories of New Zealand goods, generally those in force on January 31, 1973 and will provide proper notification and consultation. New Zealand will also maintain margins, at 7.5 percent in the case of goods in the protected area and 5 percent for the non-protected area. Concessionary entry may always be granted, however, in which case no margins will be retained. Representations will be received regarding the effect on Canadian exporters.

Finally, Canada undertakes, subject to normal commercial considerations, that it will turn to New Zealand among its preferred suppliers when it has an import requirement for butter. It also promises to support New Zealand in working toward an improved environment in trade in agricultural products - particularly dairy products - and a reduction in the adverse effects of export subsidization.

Extent and Composition of Trade

In 1979, Canada's exports to New Zealand came to a total value of Canadian \$91 million and New Zealand's imports to Canada to Canadian \$135 million. New Zealand represented Canada's thirty-sixth largest foreign market, accounting for 0.14 percent of total Canadian exports. Canada for its part was New Zealand's seventh largest market and accounted for 2.3 percent of New Zealand exports. Canada provided 2.4 percent of New Zealand's imports and was its eighth largest supplier. New Zealand provided 0.22 percent of Canada's imports and was our twenty-fourth largest supplier.

The Canadian deficit in this exchange has been a continuing feature of our trade with New Zealand for some time, although the 1979 deficit was admittedly larger than usual. During the 1970's as a whole, Canada has showed a surplus on only one occasion and that was so small as to be meaningless. In spite of this deficit, however, it is clear that Canada is of considerably more importance to New Zealand in the trade sense than New Zealand is to Canada. There is also a wide difference in the composition of their trade. In 1979, for example, meat alone accounted for just over 75 percent of New Zealand sales to Canada, with wool, dairy products, fish, fruits and vegetables making up a further 12 percent. While a variety of

manufactured items were also included, their individual value was considerably less. On the Canadian side, the main export product was sulphur but this was responsible for only 11 percent of the total. The remainder included a far greater variety of significant items, made up for the most part of manufactures and semi-manufactures.

One result of this situation has been the growing proportion of Canadian goods which enter New Zealand under derived preferences. The difference between Canadian and New Zealand trade in this regard is noteworthy. In 1978, the most recent year for which such a calculation has been made, some 35 percent of New Zealand's imports from Canada entered without benefit of preference. Of the remaining 65 percent, about half entered under bound preferences and the other half under derived preferences. In the opposite direction, some 73 percent of Canada's imports from New Zealand were brought in without preference, some 22 percent under bound preferences and only 5 percent under derived preferences. In short, of the New Zealand goods enjoying preferences, the major share consists of the same range of agricultural products bound in the 1932 Agreement.

In the recently concluded multilateral trade negotiations in Geneva, New Zealand's main objective was to gain increased and secure access for its major agricultural exports in the main trading countries. No substantial progress, however, was made in this regard. Its own commitments were accordingly limited to the binding of rates provided for by the revised tariffs introduced in 1978 and by some relaxation in its import licensing system. Thus there was no significant reduction in the existing tariff level nor were Canada's margins of preference affected in any substantial way. On Canada's side, however, preferences were reduced or eliminated on a number of New Zealand export items which, in terms of value, represented some 75 percent of those receiving preferential treatment.

Trade Problems

As in most trade relationships, there have always been a number of irritants. On the New Zealand side, for example, there has been continuing concern over Canada's import restrictions on meat and dairy products which, it is claimed, have badly eroded the preferences granted these products in the 1932 Agreement. On the Canadian side, the most important barrier to trade continues to be the New Zealand import licensing system. The items most closely controlled by this system are machinery and other manufactured goods, both of which together account for the bulk of Canadian exports. Health and phytosanitary regulations affecting the import of live animals and foodstuffs are the next most important obstacle.

Government and Business Contacts

In an exchange of letters of May 13, 1970, the Prime Ministers of Canada and New Zealand agreed to the establishment of a joint Canada-New Zealand Consultative Committee which would provide a forum for periodic discussions on matters affecting relations between the two countries, particularly in the economic field. The Committee would exchange views and information on matters which might adversely affect the existing levels or future development of trade, investment and other business activity between the two countries. It would consider matters relating to service, technology and transport as they might affect relations between the two countries. Finally, it would review other matters of common interest such as international political developments and multilateral trade and economic conditions. Meetings would be held alternately in Ottawa and Wellington at least every two years, either at the Ministerial or official level.

Three meetings of the Committee have so far been held, two at Ministerial level in 1971 and 1974 and one at official level in 1975. Canada subsequently took the position, when the issue of a further meeting was raised, that since bilateral trade questions figured so highly in these talks, it would be wise to postpone the next session until after the conclusion of the Tokyo Round of multilateral trade negotiations in Geneva. Consideration is now being given to the most appropriate time for such a meeting.

On the private sector side, contact is considerably less structured. There are none of the usual joint committees or other organizations through which businessmen on both sides can get together to compare notes. Both countries are admittedly represented on the Pacific Basin Economic Council but the membership of this group is rather too diverse to lend itself to exchanges of views on specific bilateral issues. For the most part, business contacts between Canada and New Zealand are carried out through private visits and through participation in trade fairs and missions. These have been rewarding enough in a practical sense but have not always managed to make Canadian and New Zealand businessmen as fully aware as they might be of one another's needs and capabilities. It may be useful to consider ways of remedying this situation.

Direct Canadian government trade representation in New Zealand is carried out through the Canadian High Commission in Wellington.

Transportation Facilities

Maritime shipping facilities are fairly well developed between Canada and New Zealand. From the east coast of Canada, Atlanttrafik Express Service schedules monthly sailings from Saint John to Auckland. Pacific America Container Express sails twice monthly from the same port to Auckland and Wellington while Columbus Line provides twice monthly service to Auckland, Wellington and Port Chalmers from Halifax. From the west coast, Farrell Lines sails every three weeks from Vancouver to Auckland, Columbus Line every seventeen days to Auckland and Wellington, and Blue Star Line every four weeks to Auckland, Wellington and Lyttolton. All of the above lines handle containerized, refrigerated and general cargo.

An air agreement with New Zealand was in effect from 1950 until 1969 when the latter began to operate to the United States and decided to abrogate it. During this period, service from Vancouver to Auckland was provided by Canadian Pacific. At the moment, there is no direct scheduled service between the two countries although connections can be made at Cleveland, San Francisco, Honolulu and Nadi. No serious effort has been made during recent years to negotiate a new agreement, although there have been informal discussions regarding such a possibility.

FOREIGN INVESTMENT IN NEW ZEALAND

Private overseas capital has played an important role in New Zealand's economy. During recent years, some 13 percent of New Zealand's total private capital formation has been provided by overseas companies or individuals.

Overseas investments are, however, subject to government approval. An Overseas Investment Commission has been established to screen any such proposals and to ensure that matters affecting the national interest are given proper consideration. Approval is required for all proposals where 25 percent or more equity participation is intended. Each is weighted in the light of the economic benefit which will accrue to New Zealand. The criteria include: added competition to local industry; lower prices and greater efficiency; the introduction of new technology, managerial or technical skills; the development of new export markets or increased market access; the extent to which the proposal is likely to make a net positive contribution to the balance of payments; the creation of new job opportunities; and the promotion of New Zealand's economic growth.

Also taken into account is the degree of equity participation by local shareholders in the case of proposals involving the ownership and control of natural resources; the potential impact on the environment and on regional development; the implications for the government's other economic, industrial and related policies; and the relative opportunities for shareholders in smaller private companies to dispose of their shares to the best advantage. Takeover proposals, whether by the acquisition of shares or assets, where the total consideration involved is less than \$500,000 receive virtually automatic approval unless some special factor is involved.

New Zealand does not have fixed rules regarding maximum levels of foreign investment in particular sectors. The policy adopted is fully flexible so that cases of particular benefit to the country can always be accommodated. Each case is considered on its merits. It should be noted, however, that most proposals are also subject to other government regulations such as the Exchange Control Regulations and those dealing with mergers and takeovers under the Commerce Act.

There are several Canadian companies with investments in New Zealand including Seagram's, Alcan, Bata, Shaver Poultry and Canada Wire and Cable. Home Oil has a small equity in an oil drilling

consortium, led by the French Aquitaine Corporation, on the periphery of the Maui gas field. Arrangements to have goods manufactured under license by New Zealand firms and joint ventures not requiring capital investment by Canadian firms have been more common in recent years than direct Canadian investment in the country. Given New Zealand's low wage rate structure for its highly skilled workers and the undisputed political stability of the country, it is considered likely that Canadian interest in this type of arrangement will continue.

It should be noted that a new double taxation agreement between Canada and New Zealand was signed in Wellington in May of this year. This replaces an earlier agreement concluded in 1948. Since that time, a number of changes have taken place in the tax laws of both countries, particularly in Canada where a major reform of the system came into effect in 1976. The new agreement covers all forms of income flowing between the two countries. In general, it limits the tax which may be levied by the source country to 15 percent on dividends, interest and royalties. These limits, it should be noted, are a new feature of double tax relief arrangements between Canada and New Zealand. No such limits existed in the 1948 agreement. The new agreement also permits a country to tax capital gains realized in dispositions of real property and of rights to exploit or explore for natural resources situated in that country. The previous agreement did not deal with the taxation of capital gains and the respective domestic rules were accordingly applicable without any limitation.

NEW ZEALAND INVESTMENT AND EXPORT INCENTIVES

The New Zealand Government has established a wide range of incentives and other assistance measures available to all companies carrying on business in New Zealand. The information below is provided as a general guide to the various measures available, both now and in the recent past.

DIRECT INVESTMENT INCENTIVES

The first-year depreciation allowance on new plant and machinery in New Zealand is 25 percent, or the allowable rate of ordinary depreciation (normally 10 percent), whichever is the higher. In addition, two further measures exist to encourage investment in new manufacturing plant and machinery:

- (i) The export manufacturing investment allowance takes the form of a deduction from assessable income of up to a maximum of 20 percent of the cost of plant and machinery. The rate of allowance varies according to the proportion of production which will be exported or, in the case of existing companies, past export performance.
- (ii) The regional investment allowance is a similar incentive, but the rate of allowance depends in this case on the location of the plant. In the eleven areas designated by the Government as "priority regions" (Northland, East Coast, King Country, Taranaki, Wanganui, Wairarapa, Marlborough, West Coast, Southern Canterbury, Otago and Southland), an investment allowance of either 15 or 20 percent may be made, while plant located in other regions (Waikato, Bay of Plenty, Hawkes Bay, Manawatu, Nelson, Christchurch and North Canterbury) is eligible for the allowance at 5 percent. The investment allowance is not available to industries in Auckland or Wellington.

In addition to the regional investment allowance, a wide range of incentives is available to promote the commercial appraisal and development of resources in the designated "priority regions".

EXPORT INCENTIVES

The various export incentives (including the export investment allowance outlined above) are designed to encourage a shift in resources into increased export production. The principal of these incentives is the export performance incentive which is intended to reward successful export performance on a domestic added value basis (that is to say, the higher the New Zealand content, the higher the level of assistance).

The second category of export incentives is market development assistance. The two schemes under this heading involve tax deductions in recognition of the cost of export market research and development for goods and services, or grants towards such costs.

Major changes in existing schemes were announced in 1979. A detailed statement of the various export incentive schemes follows:

1. The Increased Exports Taxation Incentive, which will continue to be available until March 31, 1983, allows exporters to claim a deduction from their assessable income of 25 percent of the increase in the f.o.b. value of exports over the average value of exports in the first three of the preceding seven years. Goods qualifying under the incentive are mainly restricted to non-traditional primary products and manufactured goods.

For qualifying services (that is to say, payments for expertise, technology, copyrights and royalties), a deduction from assessable income is allowed of 5 percent of the gross fees earned, providing that the net amount of the fees are remitted to New Zealand through the banking system.

2. New Markets Increased Exports Taxation Incentive - Exporters who were granted New Market Status before March 31, 1980 will be able to continue to receive an additional 15 percent deduction from assessable income for two years.

(The above schemes were both replaced by the Export Performance Tax Incentive on April 1, 1980, although exporters will be free to continue under the Increased Exports Taxation Incentive until March 31, 1983.)

3. The Export Performance Tax Incentive rewards the total f.o.b. value of export goods according to their level of domestic value added. The percentage of domestic value added of over 2,000 export commodities has been calculated and each commodity assigned to one of seven bands in a published schedule. Each band carries an incentive rate, ranging from 11.9 percent to 1.4 percent, which is multiplied by the f.o.b. sales value to produce the tax rebate or tax refund. Because domestic content calculations are necessarily based on averages, the product of one manufacturer can be different from another. Provision has, therefore, been made for exporters, under certain conditions, to undertake an individual assessment of the value added of their products. The scheme encompasses the earning of foreign exchange from the export of services, both consulting and advisory services and projects, and tourism. The incentive rate for exporters of services is 11.9 , and for eligible tourism operations 10 percent, calculated on net foreign exchange earnings.

4. Export Promotion Incentives

- (i) The export promotion taxation incentive - This incentive, under which an additional 50 percent of qualifying expenditure on export market promotion can be claimed as a deduction from assessable income, expired on March 31, 1980.
- (ii) The export market development taxation incentive - This scheme superseded the above incentive and will be confined substantially to expenditure incurred overseas on the promotion of New Zealand goods and services. The incentive will be paid as a tax rebate or tax refund of 67.5 cents in each dollar of qualifying expenditure.

5. Export Market Development Grants

- (i) The existing scheme is the development grants for new markets. Grants approved before March 31, 1980 will be permitted to run their course under the old rules. "New markets" for the purposes of grants are defined in the same way as for the new markets increased

exports tax incentives. When new market status has been approved, a company can submit a promotion program to Trade and Industry. If this is acceptable, a grant of 40 percent of estimated eligible expenditure will be made. The remaining 60 percent of expenditure can be claimed under the export promotion tax incentive, yielding total assistance of up to 80.5 cents in the dollar of qualifying expenditure.

- (ii) Services export development grants are available to assist existing and potential exporters of professional and technical services under conditions similar to those applying to goods.

- 6. Exports Programme Grants replaced both of the existing export market development grants on April 1, 1980. The new scheme seeks to encourage exporters to plan and undertake export promotion activities on a professional basis and to concentrate resources on products and markets that have been clearly identified as holding potential for New Zealand exporters. It is available for exporters of goods and services, including tourism. Industry groups (or firms with a net export turnover of at least \$100,000) can seek target market designation according to a timetable, so that applications can be considered and approved at the same time each year. Once a target market has been designated, individual firms are then able to prepare market development plans covering a three-year period. More detailed programs, including costings, are required each year within the program and are the basis of grants which amount to 64 percent of the eligible expenditure. The remaining 36 percent of expenditure can be claimed as an ordinary taxation deduction, yielding total assistance of up to 80.2 cents in the dollar of eligible expenditure.

7. The Export Manufacturing Investment Allowance

Manufacturers who export goods qualifying under the Increased Exports Tax Incentives (or the Export Performance Tax Incentive) can claim a deduction from assessable income, depending on the share of exports in the company's total output, of up to 20 percent of investment which is directed substantially towards export production.

8. Export Suspensory Loans

Investment projects which envisage a high level of exports can qualify for export suspensory loans, provided the goods would qualify under the Increased Exports Taxation Incentive. Up to 40 percent of capital costs can be provided under a loan which will be converted to a grant if 40 percent of the output of the project is exported within a certain time.

9. Import Licensing Concessions

- (i) The Export Production Assistance Scheme allows raw materials and components to be imported to the value of those used in the production of goods for export. Imports will be allowed for goods not produced in New Zealand and also where it can be shown that New Zealand-made goods would (for reasons of price, quality or technology) not permit the manufacture of a competitive export product.
- (ii) The Production Rationalisation Policy encourages the transfer of resources into export production through issuing import licences for finished goods which a manufacturer wanted to cease producing in order to concentrate on export production.

10. Machinery for Export Production: Sales Tax Exemption

Exemption from sales tax may be granted on machinery and appliances used in the production of goods for export.

TABLE I

NEW ZEALAND'S PRINCIPAL EXPORTS 1978

(in thousands of New Zealand dollars)

Wool	579,980
Lamb and mutton, fresh, chilled or frozen	389,664
Beef and veal, fresh, chilled or frozen	312,952
Butter	240,941
Hides, skins and furskins	142,059
Milk and cream	132,794
Unwrought aluminum	105,124
Cheese	76,565
Wood pulp	69,934
Casein and caseinates	69,509
Fruits and vegetables	64,294
Sawlogs, veneer logs and timber	55,397
Other meats and edible offals	54,135
Newsprint	51,594
Fish and crayfish, fresh, chilled or frozen	50,423
Petroleum products	34,838
Animal feeds	33,186
Carpets and rugs	32,999
Inedible tallow	32,283
Leather	27,736
Sausage casings	27,015
Clothing	23,398
Domestic electric appliances	21,722
Iron or steel bars, rods and shapes	20,792
TOTAL	2,649,334
TOTAL NEW ZEALAND EXPORTS	3,141,043

TABLE II

NEW ZEALAND'S PRINCIPAL IMPORTS 1978

(in thousands of New Zealand dollars)

Petroleum products	282,108
Motor cars, buses, trucks and vans	208,479
Iron and steel shapes	161,597
Crude petroleum	155,378
Textile fabrics	132,990
Power generating equipment, non-electric	114,746
Plastic materials	95,696
Medicines	61,808
Scientific instruments and apparatus	58,785
Organic chemicals	56,822
Aluminum oxide	51,272
Raw sugar	41,205
Calcium phosphate	39,983
Motor vehicle parts and accessories	39,261
Books and pamphlets	36,044
Pumps and centrifuges	35,876
Tractors	35,680
Textile yarn and thread	30,324
Data processing machines	30,284
TOTAL	1,668,338
TOTAL NEW ZEALAND IMPORTS	3,018,158

TABLE III

THE CHANGING COMPOSITION OF NEW ZEALAND TRADE 1960-1978

	<u>Percentage of Total Trade</u>				
<u>New Zealand Exports</u>	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1978</u>
Food and live animals	54.0	56.5	57.7	50.6	43.8
Beverages and tobacco	-	0.1	0.1	0.3	0.3
Crude materials, except fuels	41.7	36.8	30.5	27.8	28.2
Mineral fuels and lubricants	-	0.4	0.5	1.6	1.7
Oils and fats	0.9	1.0	0.9	1.2	1.2
Chemicals	1.5	2.5	3.2	2.2	3.3
Manufactures classified by material	1.4	2.2	4.7	9.4	11.8
Machinery and transport equipment	0.1	0.3	1.5	5.0	6.8
Other manufactures	0.1	0.2	0.9	1.9	2.9
Other transactions	0.3	-	-	-	-
	100.0	100.0	100.0	100.0	100.0
<u>New Zealand Imports</u>					
Food and live animals	6.4	5.4	4.8	5.0	5.0
Beverages and tobacco	1.6	1.2	0.9	0.9	1.0
Crude materials, except fuels	4.6	4.7	5.4	3.8	4.0
Mineral fuels and lubricants	8.2	7.8	6.3	12.7	15.5
Oils and fats	0.2	0.2	0.2	0.4	0.5
Chemicals	8.0	9.8	12.3	11.6	13.8
Manufactures classified by material	34.8	29.4	28.8	24.8	20.5
Machinery and transport equipment	28.5	34.8	33.9	33.0	31.6
Other manufactures	7.1	6.4	7.0	6.9	7.1
Other transactions	0.6	0.3	0.4	0.9	1.0
	100.0	100.0	100.0	100.0	100.0

APPENDIX II

TABLE IV

THE CHANGING DIRECTION OF NEW ZEALAND TRADE 1960-1978

	<u>Percentage of Total Trade</u>				
<u>New Zealand Exports</u>	<u>1960</u>	<u>1965</u>	<u>1970</u>	<u>1975</u>	<u>1978</u>
United Kingdom	53.1	50.8	35.9	22.2	18.8
Japan	3.0	4.3	9.8	11.8	13.7
United States	12.8	12.7	16.1	12.1	13.4
Australia	4.4	4.7	8.2	11.9	12.5
West Germany	3.5	4.0	2.8	2.7	2.9
Soviet Union	0.8	0.4	1.6	2.9	2.6
Canada	1.2	1.4	4.2	2.9	2.3
France	6.7	4.6	2.7	2.7	2.3
Iran	-	-	0.1	1.1	2.2
Netherlands	1.4	1.8	1.5	2.3	2.2
Italy	2.5	2.5	2.2	1.3	2.0
Others	10.6	12.8	14.9	26.1	25.1
	100.0	100.0	100.0	100.0	100.0
<u>New Zealand Imports</u>					
Australia	18.0	19.3	20.1	20.3	21.7
United Kingdom	43.5	36.5	29.6	19.2	17.6
United States	10.5	11.3	13.0	13.4	13.9
Japan	2.9	5.5	8.3	13.5	12.9
West Germany	3.1	2.8	3.9	4.4	4.0
Saudi Arabia	0.4	0.3	0.5	0.5	3.1
Iran	0.8	1.8	1.2	3.8	2.6
Canada	3.2	3.9	4.0	2.0	2.4
Singapore	1.4	1.5	0.3	2.7	2.0
Others	16.2	17.1	19.1	20.2	19.8
	100.0	100.0	100.0	100.0	100.0

TABLE V

PRINCIPAL CANADIAN EXPORTS TO NEW ZEALAND 1976-79

(in Thousands of Canadian Dollars)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Sulphur	6,151	8,001	8,888	10,385
General purpose industrial machinery	4,595	14,628	9,427	7,919
Synthetic rubber and plastic materials	1,307	1,451	2,275	5,022
Canned fish	2,016	2,433	3,529	4,953
Textile fabrics	2,386	3,501	2,626	4,947
Special purpose industrial machinery	3,401	3,713	5,090	4,625
Plastic basic shapes and forms	1,856	3,146	2,194	3,992
Asbestos	2,486	2,708	4,466	3,873
Meat, fresh chilled or frozen	1,110	54	-	3,534
Fertilizers and fertilizer materials	7	588	3,746	2,530
Organic chemicals	671	803	1,194	2,212
Zinc and zinc alloys	173	769	709	2,197
Steel bars, rods, plates, sheet and strips	5,077	4,528	3,025	1,893
Office machines and equipment	1,374	1,675	1,108	1,296
Softwood lumber	332	412	463	1,293
Medical equipment	211	236	265	1,279
Paper other than newsprint	282	139	307	1,225
Railway rolling stock	-	-	-	1,218
Motor vehicle parts other than engines	453	927	722	1,093
Electric lighting and distribution equipment	295	477	947	1,067
TOTAL	34,183	50,189	50,981	66,553
TOTAL CANADIAN EXPORTS	56,274	70,467	68,566	90,764
PERCENTAGE OF TOTAL EXPORTS	60.7	71.2	74.4	73.3

TABLE VI

PRINCIPAL CANADIAN IMPORTS FROM NEW ZEALAND 1976-79

(in Thousands of Canadian Dollars)

	<u>1976</u>	<u>1977</u>	<u>1978</u>	<u>1979</u>
Meat, fresh chilled or frozen	55,439	45,341	72,749	101,489
Wool and fine animal hair	4,182	6,275	5,724	8,969
Fruits, fruit products and berries	1,918	1,971	2,402	2,443
Dairy products	861	762	1,259	2,415
House furnishings	896	823	1,409	1,633
Fish	7	128	233	1,423
Yarn and thread	11	175	432	735
Fur skins, undressed	48	85	205	439
Leather and leather products	273	521	696	419
Apparel and accessories	208	119	91	383
Hand tools and cutlery	48	23	87	188
Agricultural machinery	98	87	132	184
Metalworking machinery	42	48	53	184
Iron and steel wire and rope	558	159	169	158
Fruit juices and concentrates	243	314	265	135
Books, pamphlets and printed matter	30	139	55	132
Conveyors and conveying systems	1	15	46	129
Vegetables and vegetable preparations	19	676	66	125
TOTAL	64,882	57,661	86,073	121,583
TOTAL CANADIAN IMPORTS	73,942	72,036	100,567	135,088
PERCENTAGE OF TOTAL IMPORTS	87.7	80.0	85.6	90.0

APPENDIX II

TABLE VII

CANADA - NEW ZEALAND TRADE BY COMMODITY SECTOR 1978

(in millions of Canadian dollars)

	<u>Canadian Exports</u>		<u>Canadian Imports</u>	
	<u>Value</u>	<u>% Share</u>	<u>Value</u>	<u>% Share</u>
1. Live animals	-	-	-	-
2. Feed, food, beverages and tobacco	4.5	6.6	84.6	84.4
3. Crude materials	14.4	21.0	7.9	7.9
4. Fabricated materials	21.6	31.5	3.7	3.7
5. End products	27.7	40.4	3.3	3.3
6. Special transactions	<u>0.4</u>	<u>0.5</u>	<u>0.7</u>	<u>0.7</u>
TOTAL	68.6	100.0	100.2	100.0

TABLE VIII

CANADA'S BALANCE OF TRADE WITH NEW ZEALAND 1950-1979

(in millions of Canadian dollars)

<u>Year</u>	<u>Canadian Exports</u>	<u>Canadian Imports</u>	<u>Balance</u>
1950	10.9	11.8	-0.9
1960	23.9	10.1	+13.8
1970	42.7	43.1	-0.4
1971	34.7	40.3	-5.6
1972	38.2	42.7	-4.5
1973	49.3	73.1	-23.8
1974	64.0	76.4	-12.4
1975	49.5	48.6	+0.9
1976	56.3	73.9	-17.6
1977	70.5	72.0	-1.5
1978	68.6	100.2	-31.6
1979	90.8	135.1	-44.3