

# INFORMATION

EXTERNAL RELATIONS

NEW ZEALAND AND THE EUROPEAN COMMUNITY:  
TRADE AND ECONOMIC NOTES

148/77

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### Some Basic Data

New Zealand has an area of 268,676 sq.km., of which over half (135,170 km) is accounted for by agricultural and pastoral land. The population (1975) was 3,090,000, of whom some 89% are of European descent. The Gross National Product in 1974-75 was about \$ US 8.7 billion, i.e. about \$ 2,850 per capita. (European Community \$ 5,198 in 1975).

Although industrialising, the New Zealand economy is still largely based on agriculture. Some 12.1% of the working population were employed in agriculture (1974) compared with 24.6% in manufacturing. Dairy products (butter and cheese), meat and wool are the main agricultural products, there being no less than 56 million head of sheep in 1975, cattle taking second place with nearly 10 million. Over one million tons of meat are produced annually. New Zealand is one of the world's largest exporters of dairy produce and the third biggest producer of wool.

The range of New Zealand's industrial production is expanding fast. It includes finished steel and aluminium products, vehicle assembly, a wide range of light engineering products, textiles, footwear and food processing. There are large deposits of coal (1,775,000 tons mined in 1975). Some crude oil is produced and there are extensive on- and off-shore gas fields. New Zealand is still heavily dependent on imported oil for its energy requirements, though this dependence is likely to be reduced in the coming years.

### Trade and Payments

New Zealand has recently run into large payments deficits. In the two years ending March 1976 they were N.Z. \$ 992.6 million and \$ 814.5 million respectively. These deficits are accounted for by a deterioration in the terms of trade (depressed export earnings and high import payments during the two years). Since early 1976 there has been a substantial improvement as the trade figures show:

#### New Zealand External Trade

(NZ \$ million)

	1971	1974	1975	1976
Imports	1,051.8	2,276.9	2,475.6	2,937.8
Exports	1,272.5	1,746.7	1,878.8	2,928.3
Balance	- 220.7	- 530.2	- 596.8	- 9.5

Source: Reserve Bank of New Zealand.

The improvement in New Zealand's trading position is due mainly to higher receipts for exports of dairy produce. However, a large increase in invisible payments in 1976 has kept the current account balance in heavy deficit (NZ \$ -623.1 in 1976).

Agricultural exports account for three-quarters of New Zealand's export earnings:

Exports by product , 1976  
% of total value.

Meat/animal products .....	35
Wool .....	20
Dairy produce .....	18
Other primary products ....	4
	<hr/>
	77
Forestry products .....	8
Manufactured products .....	15

Source: Reserve Bank of New Zealand.

The major import items are machinery, transport equipment, manufactured goods, mineral oils and lubricants.

Traditionally the U.K. had been New Zealand's major trading partner, receiving 51% of her exports in 1961. General diversification of export markets and notably increased exports to Japan, Australia and other Commonwealth countries has meant that only 23% of New Zealand exports went to the U.K. in 1975.

The figure for the EC Nine has fallen correspondingly, from 67% in 1961 to 32% in 1975, the percentage for the other Eight having remained relatively stable.

Britain's role as a source of New Zealand imports has similarly contracted, from 45% of the total in 1961 to 31% in 1975; again this is reflected in the decline in the importance of the EC Nine as a supplier to New Zealand, from 53% of the total to 37% over the same period. The USA has gained in its share of the New Zealand market (up from 9 to 23%), as has Japan (up from 3 to 10%).

New Zealand Trade with the Community

(EUR million)

	1958	1970	1973	1974	1975	1976
EC Nine imports	573	652	816	702	636	737
EC Nine exports	407	404	470	728	589	534
Balance	-166	-248	-346	+26	-47	-203

Source: European Community Statistical Office.

With the exception of 1974 the EC Nine has had a permanent trade deficit with New Zealand. However the Community maintains a large surplus on invisible trade (investment income, transport, insurance, etc.) and is a major exporter of capital to New Zealand.

New Zealand exports to the Community fall into six product categories: dairy products, sheepmeat, wool, beef, apples, hides and skins. For each category except beef, just under one half of total sales went to the EC market, though for butter and lamb the figure is well over 50%.

Community exports to New Zealand consist mainly of manufactured goods, chemicals and transport equipment, and over three-quarters come from the U.K. The Community's share of the New Zealand market, which has been falling over the years, has for the time being stabilized (37% in 1973, 34% in 1974 and 37% in 1975).

Community - New Zealand Relations: Protocol 18

New Zealand accredited a diplomatic mission to the Community in 1961. Of the issues arising in New Zealand's relations with the EC, by far the most important have been those stemming from British accession to the Community. One of these is the phasing out of preferential New Zealand access to the British market under the Commonwealth Preference arrangement in five stages, the last taking place on 1 July 1977.

Another is the adoption by the U.K. of the 20% Common External Tariff on sheepmeat (75% of which was exported to the U.K. in 1972).

The third and most important for New Zealand is the extension to the U.K. of C.A.P. arrangements for dairy products and the consequent risk of the total exclusion of New Zealand dairy products from the British market. New Zealand's special situation here was recognized at the time of the Accession negotiations. Special arrangements were therefore negotiated under Protocol 18 to the Act of Accession. They entitled the U.K., during the period to end-1977, to import annually decreasing duty-free quantities of butter and cheese from New Zealand, providing that New Zealand respected minimum import prices and paid a special levy to bring the price on the British market up to Community levels. For butter the post-1977 arrange-

ments were to be determined following a review to take place in 1975. This was endorsed by the 'Summit' meeting of Heads of Government at Dublin in March 1975, and in June 1975 the Commission made proposals to the Council for the extension of the Protocol 18 arrangements for butter over the three years to 1980. The quantities finally adopted by the Council in June 1976 were 125,000, 120,000 and 115,000 tons for the three years in question. As regards cheese, although Protocol 18 makes no provision beyond 1977, the Dublin 'Summit' decided that "this situation and the problems which may arise from it will be given due attention with appropriate urgency". The Commission has this under active consideration.

### Consultations

Regular informal consultations between the Commission and the New Zealand government have been instituted, similar to those between the Commission and the governments of the U.S., Japan, Canada and Australia.

A first round of consultations took place in Brussels in 1975 and a second round in Wellington in March, 1977.