

GOVERNMENT AND INTERNATIONAL TRADE: A NEW ZEALAND VIEWPOINT

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Government and International Trade  
A New Zealand Viewpoint

Introduction

The purpose of this paper is to examine aspects of governmental involvement in international trade. Some aspects of this involvement will be all too familiar to the world of commerce but there are others which may not be always immediately apparent.

Apart from the misgivings one has in tackling such an immense subject in a relatively brief paper, when the facts are put together one is apt to question whether governments have not taken over excessive control of international trade. Perhaps the recapitulation of the many different activities of government in this field could spark off immediately a resurgence of the "laissez-faire" doctrines of the 19th century. In order to counter any such revolutionary thoughts the paper will also attempt to justify the extent to which governments have become involved in this field and to demonstrate the benefits which have accrued to commerce and to New Zealand generally from such involvement.

The areas of governmental activity are numerous and varied, but may conveniently be dealt with under three broad headings:

- (a) multilateral arrangements,
- (b) bilateral arrangements, and
- (c) unilateral government action.

Under the first heading are included the variety of international agencies and consultative groups in which New Zealand participates; more specific multilateral arrangements such as the formation of the European Economic Community and the effect of such arrangements on New Zealand's trading patterns can also be considered under this heading.

The second heading covers the various types of bilateral trade agreement, informal bilateral agreements on trade, and other arrangements affecting the course of trade such as agreements for the avoidance of double taxation, and investment incentives.

Finally there is a wide variety of measures adopted by individual governments, usually as trade incentives, but sometimes also designed to have a restrictive effect as a response to specific problems. In special circumstances these can take the form of a total ban on trade with a particular country.

Growth of Multilateral Arrangements

In the early days of its history New Zealand's chief economic links, like its political ones, were with the United Kingdom. It could scarcely be regarded as an international trader in any sense - though some trade with Australia took place. As it had no control over its foreign policy so it had only limited opportunities to extend its trading links. Growing political independence, marked by the watershed of the Statute of Westminster in 1931, led to greater freedom in trade policy. Despite this, economic dependence on the United Kingdom remained paramount.

In many ways the close economic links between New Zealand and the United Kingdom were essential, particularly in the later 19th century when the prevailing world economic philosophy was that of free trade. In this period of economic Darwinism, where only the fittest survived, the fact that New Zealand had a market in Britain for primary produce (while offering in return a useful outlet for British manufactures) allowed it to undertake internal economic development which might not otherwise have been possible without some form of protection. Even so, as early as 1888, following the depression of the 1880's, New Zealand felt compelled to invoke tariff protection in order to look after the small manufacturing industries which had already developed.

This early period of New Zealand's economic history set the pattern for the development of the "dependent economy" which has been

traced by numerous New Zealand economic historians and will be well known to you.

Following the Second World War the recognition among the nations of the world of the need for a degree of political interdependence which was reflected in the prevailing doctrine of collective security led, through the establishment of such bodies as the United Nations Organisation, to a limitation on the concept of individual nations figuratively at economic war with one another, as they had earlier been at war in the literal sense. The ideal of collective security, therefore, was not only military but also economic. There was also widespread acknowledgment of the obligation of the richer countries in the world to provide assistance to those countries which had either been ravaged by war or had become newly independent. In both cases the countries concerned were in no position without external assistance to establish themselves as economically viable units.

As a result the economic aspect of the United Nations became at least as important a part as its more strictly political aspect. The Preamble to the Charter of the United Nations Organisation expressly stated the determination of member countries to promote social progress and better standards of life and to employ international machinery for the hastening of economic and social advancement of all people.

New Zealand, a country for whom external trade had been of great importance, had recognised only too well the limitations which its size imposed on its bargaining power in overseas markets and in international negotiations generally. It had begun to see the need to develop its trade with areas outside the United Kingdom, had started to move into the wider field of competitive trading, and therefore welcomed the emergence of the various international agreements which were created under the auspices of the United Nations and which carried with them the promise of greater bargaining power for the smaller nations and increased economic security. By and large our support for these bodies persists today. The fruit of their work may not appear every season and the crop is often a poor one but the reasons for this are often to be found in the unwillingness of some member nations to do their share of tilling.

It would seem appropriate at this stage to give a brief outline of the structure and work of the main agencies in this field, which impinge on New Zealand's trading relationships.

#### ECOSOC

The Economic and Social Council in the economic sphere of its work is responsible for promoting "higher standards of living, full employment, and conditions of economic and social progress and development". It has a wide field of activity. Many of its programmes are affected by the state of world trade, and trade problems are therefore a focal point in the deliberations of bodies subsidiary to ECOSOC.

#### UNDP

From the point of view of promoting economic development and the expansion of trade its most important subsidiary bodies are the United Nations Development Programme and the four regional Economic Commissions. New Zealand has been a regular contributor to the United Nations Development Programme.

#### ECAFE

New Zealand is a regional member of one of the four Economic Commissions, the Economic Commission for Asia and the Far East. The Economic Commission for Asia and the Far East was established in 1947 and has developed a series of subsidiary bodies including a Committee on Trade, a Committee on Industry and Natural Resources, and more recently the Asian Industrial Development Council. New Zealand plays an active part in the work of these bodies where our interest is two-fold - we are there to assist in the economic development of countries in the region, our closest neighbours, and because we desire to increase our trade with these countries. These objectives are of course complementary, and we share with these countries dependence upon a high volume of trade to produce the foreign exchange needed for economic development.

## ADB

Similar considerations underlie New Zealand's membership of the newly-established Asian Development Bank. The objectives of the ADB are complementary to those of ECAFE, that is to say it exists to promote the investment of public and private capital for development purposes in the ECAFE region, giving priority to such regional or national programmes as will contribute most effectively to the harmonious economic growth of the region as a whole. It will also assist in the coordination of the development policies of member countries so that their economies may achieve greater complementarity, so leading to the promotion and orderly expansion of their foreign trade.

## GATT

New Zealand's trade policies are based upon the principles embodied in the General Agreement on Tariffs and Trade, and it is worth spending some time therefore examining our participation in this multilateral contract. Following the disappointing results from New Zealand's viewpoint of the Kennedy Round negotiations, New Zealand's commitment to the GATT has been subjected to searching reappraisal in some quarters, and it may be useful to look back to the genesis of the Agreement and to consider what alternatives might be available to us.

In the economic depression of the 1930's many governments raised various types of trade barriers in an endeavour to shield their countries from some of the colder draughts of the depression winds - they instituted high tariff protection, quota restrictions on imports, exchange controls and so on. The advent of the Second World War however brought home to many of those nations which had previously been at economic odds with one another the need for greater economic cooperation and pointed up the dangers which underlay a policy of excessive protection and control. As a result the major wartime allies had before the end of the war begun to discuss the establishment of international organizations to tackle the problems of currency, investment and trade. The International Monetary Fund and the International Bank for Reconstruction and Development were soon established but an "international trade organisation" (ITO) did not develop in the form originally contemplated.

Shortly after the war the governments which formed the preparatory committee set up by ECOSOC to draft the Charter of the ITO agreed to sponsor negotiations aimed at lowering customs tariffs and reducing other trade restrictions among themselves. This was in fact one of the main objectives of the ITO Charter. The result of these negotiations on tariffs and trade barriers was the signature of the General Agreement on Tariffs and Trade. This agreement embodies a set of rules designed to prevent tariff concessions from being frustrated by other devices. The GATT was signed in October 1947 and came into force on 1 January 1948.

Most of the principles developed in the draft ITO Charter are now either incorporated in the GATT or form part of the principles adopted by the more recently established United Nations Conference on Trade and Development; although most of the latter have yet to be reflected in effective international action.

The Kennedy Round tariff negotiations concluded under the auspices of the GATT in 1967 certainly produced very little benefit to New Zealand. It is true also that we may have found the Contracting Parties over-indulgent on such matters as the retention of the waiver granted in 1954 to the United States to enable it to continue its quota restrictions on imports of dairy products. But New Zealand also has found the Contracting Parties understanding of its difficulties, and prepared to continue their acceptance of the quantitative restrictions we have imposed because of continuing balance of payments problems. We should in these circumstances ask ourselves some very searching questions before we succumb to the temptation of advocating New Zealand's withdrawal from the GATT.

What would be the alternatives for New Zealand and other countries which are parties to the GATT? It has already been mentioned that the same sort of principles are embodied in the ITO Charter and are also contained in the principles adopted by the United Nations Conference on Trade and Development. There is clear enough evidence that the nations of the world pay more than lip service at least to the conduct of their trade according to reasonable principles which have due regard to the effect on other countries of measures which they might adopt to improve their trading position. Similar principles lie behind the constitution of the International Monetary Fund whose members must consult with the Fund before devaluing their currency; while the Fund must also give its consent to the extent of devaluation proposed by a member. If we abandon these measures of collective economic security we must have something to put in their place unless we are prepared to return to the habits of the 1930s when, the moment economic difficulties were encountered, trade and financial barriers were erected indiscriminately as countries took measures in an endeavour to protect their own balance of payments and to increase the competitiveness of their exports against those of other countries.

In such a situation one retaliatory measure after another served only to smooth the path leading to economic depression. A similar effect is of course produced on a national level by indiscriminate price cutting between companies, or by wage-cutting where there is no minimum wage legislation.

The solution to any dissatisfaction we may have with agreements such as the GATT is surely to endeavour to improve our position by negotiation and it is to this end that the Government devotes considerable resources. The Kennedy Round negotiations were only one example of the collective bargaining which takes place. We failed in these negotiations to improve our position markedly for the main items of our export production, particularly for dairy products. But since then New Zealand was successful, at the GATT Ministerial Council at the end of 1967, in obtaining the agreement of other Contracting Parties to the establishment of a group to deal with the most urgent problems of the world trade in dairy products. By careful presentation of the evidence New Zealand was in effect able to convince the Contracting Parties that this major loose end from the Kennedy Round should be dealt with.

If there is a satisfactory alternative for New Zealand to the type of international agreement embodied in the GATT and to continuing negotiation under such agreements, we have not yet discovered it. Our bargaining power in the GATT is often not great; the industrial powers have achieved better deals for their products than have the agricultural producers, but it is generally accepted that we have more hope of finding a solution to our problems through such international machinery than through turning entirely to the bilateral type of relationship under which every nation bargains for itself individually. The GATT is not of course the only channel through which we may pursue our trading interests but it remains the most satisfactory means of conducting many aspects of our multilateral trading policy.

#### FOOD AND AGRICULTURAL ORGANISATION

This United Nations agency has a threefold aim:

1. to raise levels of nutrition and standards of living;
2. to improve efficiency in production and distribution of food and agricultural products; and
3. to improve the conditions of rural people.

To this end FAO has been concerned with the problems of unstable markets for agricultural products. In this forum too New Zealand has participated actively. The countries most concerned with the work of FAO are primary producers dependent on the export of those products for much of their foreign exchange. Market instability hinders their orderly economic growth so that from one point of view FAO is intimately concerned with the same sort of problems faced by the GATT.

FAO has a number of subsidiary organs which are of particular interest to New Zealand.

(a) Committee on Commodity Problems

The Committee on Commodity Problems is one of the primary organs of the FAO concerned with market stability and orderly economic development. New Zealand has taken a close interest in the work of this Committee, of which it is an elected member, and much valuable work has been done by the groups established by CCP for the study of the problems of production, marketing, and consumption of individual agricultural commodities. The CCP has also set up guiding principles for the formulation and administration of policies of price stabilisation, support and the disposal of agricultural surpluses.

(b) Consultative Sub-Committee on Surplus Disposals

The accumulation of large surpluses of commodities, which if released on world markets could severely damage the export trades of the primary producing countries, was so great in the 1950s that in 1954 the CCP established the CSD. The Committee enables countries to cooperate in the matter of surplus disposals, as aid or at concessional prices, to reduce possible damage to their international trade. New Zealand is also a member of this committee.

(c) World Food Programme

New Zealand is a member of the Intergovernmental Committee which supervises the World Food Programme and is of course a substantial contributor to its funds. The objectives of the programme are to establish international procedures for meeting emergency food needs and chronic malnutrition; to assist in pre-school and school feeding projects; and to implement pilot projects as an aid to economic and social development. Much of New Zealand's contribution has been provided in the form of commodities produced in New Zealand, such as canned meat and milk powder. Recently we have arranged through the Executive-Director of the Programme the use of trial consignments of the whole-milk biscuit developed by the New Zealand Dairy Board. Reports on these consignments indicate that the biscuit has been well received and that useful orders may be placed for the supply of the biscuit under WFP.

The World Food Programme is not aimed just at feeding hungry people; some of its resources are devoted to meeting emergency food needs but the greater part of the programme is devoted to food aid as an integral part of development programmes - in other words, the aid is made available to people who are working on developmental projects which will in turn enable the people concerned to meet their own food needs.

New Zealand's participation is of course mainly for the purpose of providing assistance to those in need but the supply of commodities such as the milk biscuit has given a useful stimulus to the supply and consumption of the types of food which we can produce economically, thus extending long-term trade outlets for these products.

UNCTAD

The first United Nations Conference on Trade and Development (UNCTAD I) which was held in Geneva in 1964 was the culmination of many years of pressure exerted by the poorer nations of the world for more adequate international recognition of their economic problems. The first meeting laid down an ambitious programme covering trade and shipping matters, coordination of trade and aid policies, and the drawing up of general principles for the expansion of international trade. A striking feature of this meeting was the manner in which it focused on the gap between rich countries and poor countries. Although this exposed wide areas of disagreement between these two groups it did result in a limited compromise on general principles and pinpointed the more urgent needs of the developing countries.

Unfortunately progress in most of these fields has been limited and today we are faced with the disturbing fact that the gap between the rich and poor countries has actually widened since UNCTAD I. It is difficult to apportion responsibility for this state of affairs; the developed countries could no doubt be doing more in the field of

aid and in opening up trading opportunities for the developing countries; for their part the latter could be doing more to help themselves both by improved organisation of their internal programmes and by greater cooperation among themselves, particularly at the regional level. But as far as action in UNCTAD is concerned New Zealand's position is quite clear and has been stated on several occasions. The path to progress in the many fields covered by UNCTAD's activities is not through a broad drive on all fronts. There are certain areas of priority as far as the developing countries are concerned on which effort should be concentrated if progress is to be made. The problem of debt servicing and improved trading opportunities, including access to markets and better shipping services, are as urgent as any faced by the developing countries. It is in areas such as these that effort should be concentrated at this time. Unfortunately these views have not prevailed. At the time of writing this paper UNCTAD II is being held in New Delhi. This conference has before it an agenda of immense proportions covering a full range of trade and development problems which will be considered over a period of seven weeks.

#### THE WORLD BANK GROUP

Reference was made earlier to the establishment of the International Bank for Reconstruction and Development and the International Monetary Fund. Two further wings of the group, the International Finance Corporation and the International Development Association, were established in 1956 and 1960 respectively.

The IBRD was established to promote the international flow of capital for productive purposes and to assist in financing the rebuilding of nations devastated by the war, its objectives being the promotion of private foreign investment and the balanced growth of international trade. Its activities now extend well beyond post-war reconstruction and it is now a major source for the provision of "hard" loans for national development projects.

The principal aims of the IMF are to promote international monetary cooperation, to facilitate the balanced growth of international trade, to promote exchange stability, and to assist in the establishment of a multilateral system of payments. To assist in achieving these aims the Fund has resources in gold and members' currencies which may be made available to assist members in dealing with temporary balance of payments difficulties without their being compelled to resort to measures which would if adopted be inimical to national or international prosperity. In other words, it is a cushion against the sort of financial measures which many governments felt compelled to adopt in the 1930s.

The IFC is empowered to invest in productive private enterprises in association with private investors, and without government guarantee of repayment, in cases where sufficient private capital is not available on reasonable terms, and to serve as a clearing house to bring together investment opportunities, private capital - both foreign and domestic - and experienced management. This is also a "hard" loan institution but whereas the IBRD is concerned chiefly with the public sector the purpose of the IFC is to provide investment for the private sector.

The purpose of the IDA is to promote economic development by providing finance to the less developed areas of the world on easier and more flexible terms (for example at lower rates of interest or free of interest) than those of conventional loans. It is designed especially to finance projects which do not attract private investment in countries which are not able to service loans from the IBRD. Its interest is mainly in the public sector.

These four organisations have played a vital role in promoting development throughout the world since the war - development which has of course led to an immense expansion of trading opportunities. Reference was made earlier to the role of the IMF in promoting exchange stability. Loans are made to offset the effects of temporary balance of payments crises and devaluation, a frequently over-

used weapon earlier in the century, has now become a measure resorted to only in the most severe financial difficulties. IMF loans have been invaluable to countries such as New Zealand which rely upon a high volume of trade in commodities which are subject to frequent and at times violent price fluctuations. The availability of finance for this purpose has contributed immeasurably to stability in world trade.

#### NEW ZEALAND PARTICIPATION

Through its membership or association with these various international arrangements affecting international trade, New Zealand has gained considerable benefits; it has also of course incurred responsibilities. As a relatively developed country we have participated in many of the organisations concerned as a net giver rather than as a receiver. This participation has meant perhaps a greater degree of intervention by Government in matters affecting trade than some people consider desirable. But the growth of Government involvement in economic and social issues is one of the phenomena of the 20th century experienced by all countries regardless of their system of economic management. For a small country like New Zealand, without a great degree of competitive bargaining power with the wealthier countries of the globe, it is doubtful whether the progress which we have made in trade and development could have been achieved unless we had played our part in the various international organisations mentioned. Even in those organisations in which we have been a net giver we have contributed to the development of other countries and so indirectly have enhanced our long term trading opportunities.

#### EEC

There are other multilateral groupings, some of which play an equally vital part in establishing the pattern within which New Zealand conducts its international trade and in affecting the overall volume of its trade. The outstanding example of this type of organisation is of course the European Economic Community. As we are not a member of the Community we have no say in the formation of its policies. But we have extremely close trading and other relationships with its members and, as is well known, have at times expressed forcefully our views on the effect of Community policies on our trade. The aspect of the Community's framework which is of particular importance to New Zealand is its Common Agricultural Policy, under which the Community aims to become self-sufficient in most of its major food requirements. If Britain becomes a member of the Community without the establishment of special conditions to take care of New Zealand's trade with the enlarged Community our difficulties could assume immense proportions.

It is unnecessary here to go into detail about the effects of the Common Agricultural Policy on New Zealand's trading opportunities. Suffice it to say that already the Community has erected prohibitive barriers against trade in dairy products. It has in fact built up substantial surpluses which not only preclude the immediate possibility of our entering the EEC market with our products but have already undermined the stability of our markets in other countries.

This then is a most important field for governmental activity in trading matters. Negotiations for access to the countries of the EEC for our major commodities and discussions about the protection of our other markets from heavily subsidised exports from the Community must be pursued mainly on a government-to-government basis. The government is very active in this field.

#### THE COMMONWEALTH

Trade discussions on a government-to-government basis are also an aspect of the wider range of Commonwealth consultations in which New Zealand is so frequently involved. It is clear, however, that the extent to which the Commonwealth is able to influence the conduct of New Zealand's international trade is limited. The Commonwealth does not function as a separate trading unit because of the divergence of economic interests among Commonwealth members, and clearly it is only

in wider multilateral economic groupings such as the GATT, that meaningful trade negotiations on an international scale can take place. Nevertheless, international trade links do coincide to a considerable degree with links formed through common membership of the Commonwealth, and the various institutions of the Commonwealth, the meetings of Ministers and informal contacts among officials, do facilitate useful discussions on trading relations and provide the opportunity for exchanges leading to a broader mutual understanding of the variety of objectives of the individual Commonwealth countries in the wider context of international trade.

### Bilateral Arrangements

Direct Government involvement in New Zealand's external trade is perhaps best known to the commercial world in the conclusion and implementation of bilateral trade agreements, the second main category mentioned at the beginning of this paper. This type of activity can be best illustrated by reference to the various types of trade agreements which New Zealand has concluded.

#### UNITED KINGDOM

New Zealand's dependence on the United Kingdom market led in the first two decades of the 20th century to a growth in the preferential treatment of British goods. By the Ottawa Agreement of 1931 British preferences were further extended and codified. The United Kingdom for its part granted free and unrestricted entry for practically all products exported by New Zealand at that time, applied tariffs on butter and cheese from foreign countries and granted margins of preference on meat.

An agreement between New Zealand and the United Kingdom, signed in 1959, made provision for the minimum margin of preference of 20% accorded by New Zealand to British goods under the Ottawa Agreement to be reduced to 5% on certain imports essential for industry, to 7 1/2% on an extensive list of welfare and producer goods, and to 10% on all other goods. The United Kingdom for its part undertook to maintain free entry for the principal items exported by New Zealand, and to retain margins of preference for specified products.

On 28 June 1966 a "Record of Understanding" was agreed between New Zealand and the United Kingdom which extended until 1 January 1970 the provisions of the 1959 Agreement. This formed the basis of New Zealand/United Kingdom Trade Agreement of 1966 under which New Zealand undertook to maintain duty free entry for a short list of items and created additional margins of preference ranging from 10% to 20% on a number of others. This is the clearest example so far as New Zealand is concerned of the British Preferential type of trade agreement.

#### AUSTRALIA

In 1933, following the Ottawa Agreements, New Zealand entered into a trade agreement with Australia. Under this agreement each country granted to the goods of the other benefits of its British preferential tariff, except with regard to certain classes of goods on which special rates were fixed, enumerated in the Schedules to the Agreement. Although minor modifications have been made to the Schedules they remain substantially the same as originally negotiated.

The setting up of an Australian/New Zealand Consultative Committee on Trade was agreed to in August 1960. This led in turn to the New Zealand/Australia Free Trade Agreement (NAFTA) which came into force on 1 January 1966 and provided for periodic reduction and ultimate elimination of duties on the goods listed in a Schedule to the Agreement when such goods qualify for admission into either country as the produce or manufacture of the other country. This agreement modifies or supersedes some of the provisions of the 1933 Agreement and in particular rates under that Agreement which are higher than the equivalent B.P. rates are to be reduced to the B.P. level not later than 1 January 1974. Some have already been reduced.

The goods listed in the Schedule to the Agreement cover over

50% of the imports from Australia. The Agreement provides for reviews of trade between the two countries with a view to progressive inclusion of additional items.

The agreement with Australia therefore goes beyond the normal British Preferential type and provides for the development of a considerable measure of free trade.

#### CANADA

Reciprocal trade arrangements between Canada and New Zealand are governed by an Agreement negotiated in 1932 - a British Preferential type of agreement.

#### MALAYA

A trade agreement between Malaya and New Zealand was signed in 1961, by which each country accords British Preferential rates of duty to the other on a relatively limited range of goods; both countries agreed to guarantee minimum margins of tariff preference which apply to certain important items in each other's trade.

#### OTHER BILATERAL TRADE ARRANGEMENTS

New Zealand is also a party to certain commercial treaties, conventions or arrangements with countries outside the Commonwealth. In some cases New Zealand automatically became a party figuratively by right of succession, to arrangements concluded by the United Kingdom; in others by signifying its willingness to adhere to such arrangements; while still other arrangements have resulted from direct negotiations between New Zealand and the countries concerned. In practice many of these arrangements were superseded by New Zealand's accession to the GATT, as they were normally most favoured nation type agreements.

Arrangements with Switzerland for example date from 1938, when by agreement between the two countries New Zealand received a guaranteed import quota for apples and pears, but the portion of the arrangement relating to MFN treatment for imports has been superseded since Switzerland became a Contracting Party to GATT in 1966.

The Federal Republic of Germany and New Zealand concluded an MFN agreement in April 1955. New Zealand is granted quotas on certain primary products while for some others New Zealand is considered as a source of supply for imports into Germany under the import programme.

A similar agreement was concluded with Japan in 1958. This was amended by a Protocol in 1962 whereby New Zealand agreed not to invoke Article XXXV of the GATT against Japan. (This Article provides for the non-application of GATT provisions, such as MFN treatment, in special circumstances).

An agreement with the USSR, which is not a member of GATT, entered into force on 1 August 1963. It provides for the mutual extension of MFN treatment in matters concerning shipping and trade between New Zealand and Russia.

New Zealand's agreement with Poland, concluded in 1965, provides for MFN treatment in matters relating to import and export duties and charges, and also with regard to prohibitions, restrictions, whether by way of quota, import or export licences, foreign exchange controls, regulations, directions or other controlling measures.

MFN trade agreements have recently been concluded with the Philippines, Korea and Bulgaria.

There are other forms of bilateral agreement which are of direct assistance to trade; good examples are agreements for the avoidance of double taxation and understandings reached with some of our main trading partners on quota arrangements for the entry of our commodities.

New Zealand has concluded agreements for the avoidance of double taxation with most of its main trading partners and these act not only as an inducement to the expansion of trade but also to two-way investment in the countries concerned.

In some of our main markets it has been necessary, for various reasons, to reach understandings with the countries concerned on a system of regulation by quotas. The best known example of this type

of understanding is the agreement on butter quotas with the United Kingdom. The quota system was adopted at a time of intense competition on the British market and was designed to protect New Zealand's position as the principal supplier. Thus our original rights of access for butter to the British market as set down in the 1959 Trade Agreement were translated into certain entitlements under the quota system. For example New Zealand has a minimum annual quota of 170,000 tons and the right to participate in any expansion of butter imports. Each year the British hold consultations with their main suppliers to determine quotas for butter imports.

We have understandings with the United States on supplies of beef and the United States also imposes quotas on imports of dairy products; the latter are not however covered by any bilateral understanding.

In addition we have understandings with countries such as Western Samoa and other Pacific Islands on special arrangements for the supply of their main commodities to our market.

### Unilateral Government Action

The third major field of governmental activity and that which brings the government into close contact with commerce relates to measures aimed at the expansion of our exports and at the orderly conduct of our overall trading arrangements. Only a few examples of activity in this field need be mentioned.

Since the war New Zealand has developed small but effective diplomatic and trade services. In addition to the head offices of these services in Wellington, the government maintains a number of officers at overseas posts to handle trade and economic work. These services are backed by close liaison between those government departments mainly concerned with advising the Government on the development of economic policy and the promotion of our exports. There is also close coordination between these departments and the Department of Tourist and Publicity in order to ensure that maximum advantage is obtained from our overseas publicity programmes.

The Government assists with the organisation of New Zealand participation in trade fairs and participates actively in trade missions. The Government also established some time ago the Export Promotion Council through which Government and commercial interests maintain close liaison.

There are a number of incentives aimed at increasing the production of our main export commodities and other measures such as taxation incentives and export insurance which encourage the expansion and diversification of our exports.

Tariff, licensing and financial policies aim not only at maintaining the equilibrium of the internal economy and of our balance of payments, but at the expansion of New Zealand industries in a manner which will enable them to compete on the home market and on overseas markets.

There are times of course when currency and licensing restrictions extend not only to controlling the overall volume of New Zealand's trade but also to discouraging or even banning imports from certain areas. For example, there is a complete embargo on trade with North Vietnam, and trade in certain commodities with Rhodesia is banned in pursuance of United Nations resolutions.

Another area in which the Government influences the course of trade is in its policy towards overseas investment. The extent to which investment in New Zealand is encouraged has a considerable bearing on the type of goods we import - finished goods or raw materials - and sometimes on the source of these goods.

The Government plays a part in assisting and promoting New Zealand's trade through its association with the Producer Boards. Although these Boards are autonomous bodies they were established by Acts of Parliament and the Government through representation on the Boards and through the various departments concerned with trade, maintains a close liaison with the Boards, principally on the policy

aspects of the marketing of produce overseas. Furthermore Government is itself a substantial trader and its purchasing activities affect both the volume and the direction of trade.

Quite apart from activities such as those mentioned which are aimed directly or indirectly at influencing the direction of trade or its volume, the Government's international policies frequently have a considerable bearing on our commercial relations. It is obviously much easier to conclude satisfactory commercial arrangements both at the official and private level with countries with whom we have close political relations. On the other side of the coin, if there has been a period of strain in political relations between certain countries the conduct of commercial relations tends to be more difficult.

### Conclusion

This paper has covered sufficient ground to indicate the wide variety of ways in which the Government becomes involved in matters connected with international trade. It should also be clear from what has been said that the Government does not willingly become involved in trade matters where these can best be left in private hands and that Government involvement depends very much on the extent to which this is deemed to be necessary; on the one hand to promote exports and assist in obtaining better access for our products in overseas markets, and on the other hand to ensure that reasonable equilibrium is maintained in the internal economy and in our external balance of payments. Concerning the former the objectives of Government might be summarised as the promotion of - more production of existing products for export; the production of new products for export; better access to New Zealand's existing markets; and the opening up of new markets.

In other words, the Government aims to provide the framework for continuing expansion of our international trading relations. We are essentially a trading nation. Production for export accounts for one quarter of our Gross National Product. This is no small business by any standards and in the world of today it requires the closest partnership between government and commerce. This partnership is being cemented every day with clear benefit to the country as a whole. The cry of "less government in business and more business in government" is one which is heeded more than many people may suspect but it is heeded as a call for mutual cooperation and not as a call for an end to what has proved to be a valuable partnership.

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