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Closer Economic Relations (CER)

The **Closer Economic Relations (CER) Agreement** between New Zealand and Australia is one of the most comprehensive, effective and WTO-compatible free trade agreements in the world.

Since 1983, trans-Tasman merchandise trade has increased by 10.6 percent annually. For the whole of that period, New Zealand has been either Australia's largest or second largest market for elaborately transformed manufactures. Total bilateral trade now amounts to over AUD16 billion and New Zealand is Australia's fifth-largest trading partner. Australia is New Zealand's largest foreign investor, with investments worth more than A\$10 billion. New Zealand is Australia's ninth largest investor, with AUD12 billion.

CER followed a series of preferential bilateral trade agreements between New Zealand and Australia, including the 1965 **New Zealand Australia Free Trade Agreement (NAFTA)**. By the late 1970s, NAFTA and its predecessors had resulted in the removal of tariffs and quantitative restrictions on 80 percent of trans-Tasman trade. However, further advances under NAFTA were limited because it lacked a mechanism for compulsorily removing the remaining restrictions, including New Zealand's import licensing restrictions. In many cases these effectively negated the benefits derived from eliminating tariffs.

31 Aug 1965

In March 1980 the concept of "closer economic relations" between New Zealand and Australia was introduced in a joint Prime Ministerial communiqué. Both countries agreed that an appropriately structured closer economic relationship would be mutually beneficial and enhance each country's wider international competitiveness.

On 1 January 1983 the **Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA)**, more commonly known as Closer Economic Relations (CER), took effect. A "Heads of Agreement" on CER was actually signed on 14 December 1982, but a transitional period for some industries meant the full agreement was not concluded until 28 March 1983. CER initially provided for the establishment of free trade in goods (those meeting the CER rules of origin) between Australia and New Zealand. Comprehensive reviews were planned for 1988 and 1992.

The first general review in 1988 affirmed the conclusion that most had already arrived at - CER was a great success. This review resulted in the signing of three Protocols to the CER Agreement.

Firstly, the success thus far of CER prompted acceleration in the timetable of events. In the **Protocol on Acceleration of Free Trade in Goods**, it was agreed that all tariffs and quantitative restrictions on trade would be removed by 1990, a full five years ahead of schedule. Since 1 July 1990, all goods meeting the CER rules of origin have been free of tariffs, tariff quotas and quantitative import restrictions. Additionally, the two countries agreed not to pay production bounties or similar measures on goods exported to the other country. The governments also agreed not to adopt industry-specific financial measures which would have adverse effects on competition between industries in the two countries. All performance-based export incentives on trans-Tasman trade were eliminated.

1983

Secondly, the 1988 review deepened the Agreement by substantially harmonising quarantine procedures between the two countries in the **Protocol on Harmonisation of Quarantine Administrative Procedures**. This protocol sought to improve the speed and efficiency of the flow of goods between the two countries.

Thirdly, this review introduced services into CER with the **Protocol on Trade in Services**, under which the two governments agreed to treat the providers of services from the other country the same as providers from their own. The Protocol covered all services traded across the Tasman, except those specifically excluded.

In addition to these three major Protocols, agreements have been reached on industry assistance, technical barriers to trade, government purchasing, business-law co-ordination, export restrictions and harmonisation of customs policies and procedures.

At a meeting in July 1990 to mark the achievement of full free trade in goods, the two Prime Ministers outlined a process of consultation with business interests to set the agenda for the next review in 1992.

The 1992 review looked at bringing New Zealand into the Australian mutual recognition scheme covering product standards and the registration of occupations. Other outcomes from the review included updating the list of services exempted from the **Protocol on Trade in Services**, and amendment and clarification on the **CER Rules of Origin (ROO's)**. Business law co-ordination was further examined, with a view towards future changes.

At this time, the two governments agreed to institute annual trade and economic talks at senior officials' level, to precede the annual Trade Ministers' meetings. Another formal review of CER was planned for 1995.



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