

## Page 4. Trade relations

### Attempts at reciprocity

For New Zealand, economic relations are the cornerstone of the relationship with Australia. New Zealand sought reciprocity in trade relations from 1870, but this did not occur until the Closer Economic Relations (CER) trade agreement, effective from 1983.

New Zealand passed an act allowing reciprocal reduced tariffs with the Australian colonies in 1870, but Britain did not permit this. Premier Richard Seddon sought a trade deal with South Australia in 1895, but this was stalled by Australia's move towards federation. He tried again with Australia in 1906, just before he died.

However, throughout the 19th century Australia was a major trading partner of New Zealand. In the mid-1860s about 60% of trade was with Australia, and until the 1890s it was normally over 20%. The countries were linked by telegraph in 1876 and shared the costs of international mail services.

### Trading difficulties

From the early 20th century New Zealand's closer economic links with the UK hindered trans-Tasman trade relations. There were fierce conflicts over exports of potatoes and apples from New Zealand and citrus fruit from Australia. There was some progress with the first Australia–New Zealand trade agreement in 1922 and its successor in 1933, both based on British preferential tariffs, reflective of dominion ties with Britain. But trade did not boom. The proportion of New Zealand exports by value going across the Tasman fell from about 20% in 1900 to 5% in 1920, and was below that figure for the next 40 years. Australia supplied 12–18% of New Zealand imports by value.

### From NAFTA to CER

In response to Britain's growing interest in joining the European Economic Community (now the European Union), a New Zealand–Australia Free Trade Agreement (NAFTA)

### Plant wars

In 1909 the  
pipfruit disease of

1922 P. 122  
1965 P. 158

23  
Aug  
1922  
date



fireblight was found on New Zealand pears and apples, and although there was little evidence that it could spread on ripe fruit, Australia banned most fruits and plants from New Zealand in 1921. Two years earlier the discovery of corky scab on New Zealand potatoes had also led to an embargo. In 1932 New Zealand reciprocated by prohibiting Australian fruit and vegetable imports because of fruit fly. The Second World War settled the dispute over potatoes. Australia lifted the ban on New Zealand apples in 2011.

was signed in 1965, but British preferences were retained. Deputy prime ministers and trade ministers John McEwen and John Marshall collaborated to combat agricultural protectionism and promote the two countries' economic development.

NAFTA built a platform of networks and relationships in business and government, which made it possible to start afresh under Closer Economic Relations (CER) from January 1983.

CER, an achievement of the conservative governments of Robert Muldoon and Malcolm Fraser, provided for a phased removal of duties and quotas. From 1990, five years ahead of schedule, there were no tariffs or quantitative restrictions on trade in goods. The agreement drove a 500% increase in trade over 20 years, with New Zealand's exports to Australia rising to over 20% by value of its total exports. Australia became New Zealand's principal trading partner (until it was replaced by China in 2018) and by far its leading source of investment, although not vice versa (in 2017 New Zealand was Australia's sixth-largest trading partner). A 1988 agreement also provided, with some exceptions, for free trade in services. A 1998 agreement established a single trans-Tasman market for government procurement. New Zealand's leading banks, its largest media company and many retail outlets were Australian-owned in the 2010s.

## From CER to SEM

After 2001 there was a conscious effort at official levels to develop networks and closer integration, especially in law and business. One champion of closer business integration was the Australia–New Zealand Leadership Forum, which first met in 2004, when the two governments announced the goal of a Single Economic Market (SEM). The SEM process was designed to reduce differences in the business operating environments of the two neighbours. The forum met annually from that time.

There were moves towards legal integration in 2010 with the creation of a trans-Tasman judicial area under Trans-Tasman Proceedings acts passed in both parliaments. A memorandum of understanding on the coordination of business law, signed in 2006 and revised in 2010, required officials to cooperate 'to ensure opportunities for deeper business integration and

commercial benefits are maximised'.<sup>1</sup> There have also been debates about a common currency, but no firm proposal.

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**Footnotes:**

1. Memorandum of Understanding between the Government of New Zealand and the Government of Australia on the Coordination of Business Law, 2 July 2010.
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