

1973

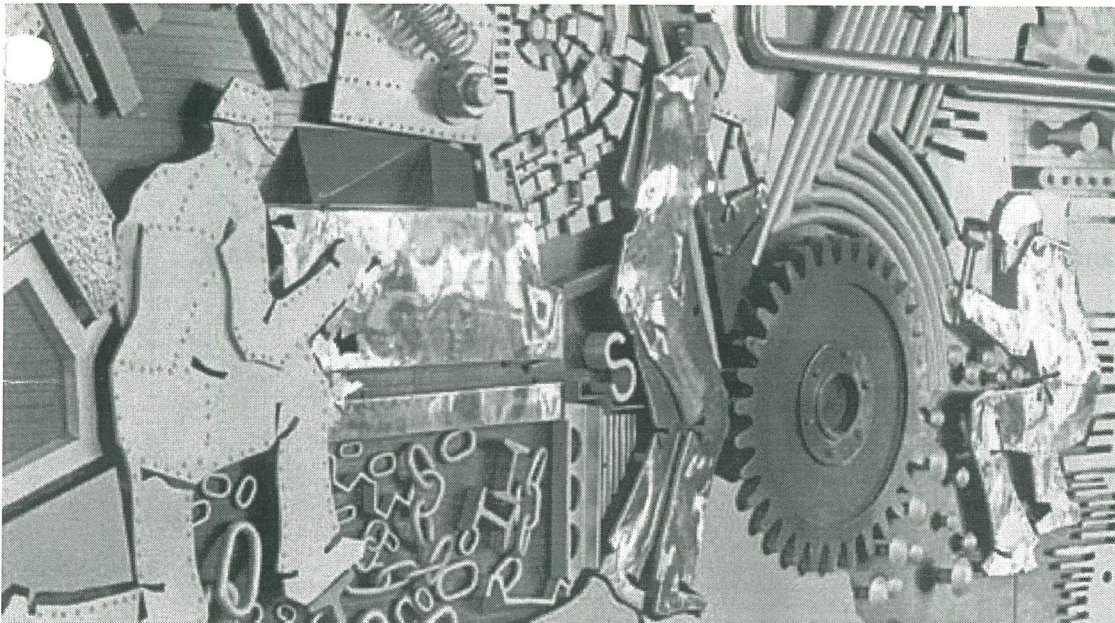
(McKinnon, M., 2010b)

## International economic relations

by *Malcolm McKinnon*

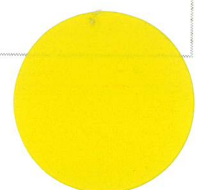
New Zealand is a small player in the world economy. Until the 1960s Britain dominated its external economic relations. In the early 2000s it relied on trade diplomacy and a network of treaties to bolster its access to world markets.

Mural on Japanese boat, 1976



How to cite this page: Malcolm McKinnon. 'International economic relations', Te Ara - the Encyclopedia of New Zealand, updated 5-Mar-10

URL: <http://www.TeAra.govt.nz/en/international-economic-relations>



## Explore this story:



**New Zealand in the world economy, 19th century**



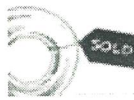
**International economic order after 1900**

**TRADE**

**Britain and New Zealand, 1900 to 1940**



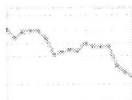
**Britain, New Zealand and the EU after 1940**



**The US and New Zealand**



**Australia and New Zealand**



**Japan and New Zealand**



**Socialist bloc, the Middle East and New Zealand**



**China and New Zealand**



**Further Sources**

## The Short Story

# International economic relations

## 19th century trade

In the early 19th century, trading ships from many countries came to New Zealand for seals, whales, flax, timber and provisioning. After 1840 New Zealand became part of the British Empire. At first much trade was with Australia. In the gold rushes of the 1860s most gold was sent there. But when wool became an important export, direct trade with Britain increased. By the 1870s around 75% of exports went to the United Kingdom (UK), and 60% of New Zealand's imports came from the UK.

New Zealand also depended on the UK for investment.

## US leadership

During the First World War the US rivalled the UK as the dominant economy. After the Second World War the US lobbied countries to open up to international trade.

Although New Zealand joined the general agreement on tariffs and trade (GATT) in 1948, it did not join the International Monetary Fund until 1961. The government wanted to promote local industry and keep everyone employed.

## World trade organisations

New Zealand joined the Organisation for Economic Co-operation and Development (OECD) in 1964. The OECD gathers data on societies and economies. In 1995 the World Trade Organisation (WTO) was established. The WTO became the main forum for international trade talks.

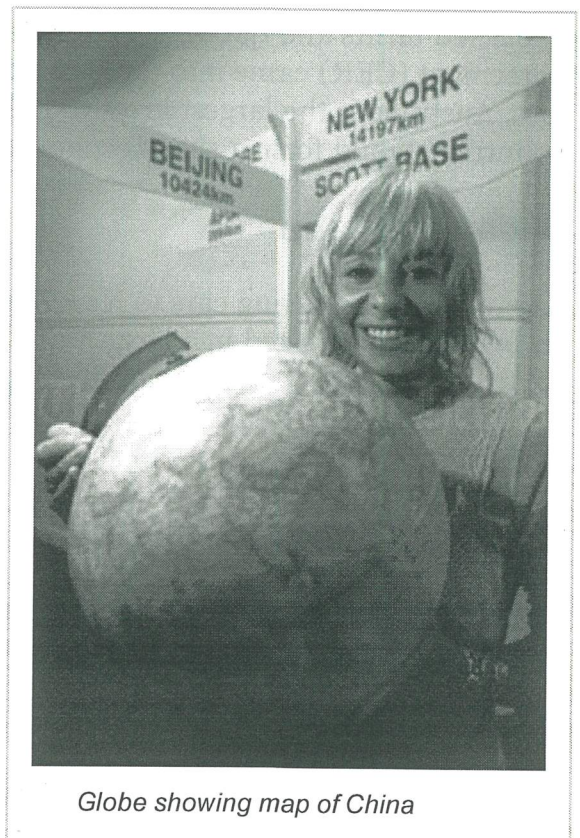
In the 1970s talks between finance ministers and officials of large Western economies were formalised as the G7. In the 1990s developing economies were included in the G20. Australia is a member of the G20, but New Zealand is too small to be included.

## UK and US trade

Until 1973 the UK took most New Zealand exports, and British goods had lower tariffs charged than imports from other countries. After it joined the European Union (EU) in 1973 New Zealand had to seek new markets because the EU set a quota for New Zealand lamb, cheese and butter exports.

The United States (US) exported cars, petrol and films to New Zealand in the 20th century, but New Zealand struggled to sell goods to US markets. From the 1970s the US supplied 15–20% of imports, and bought around 15% of exports. The bulk of exports were inputs into US manufacturing, for example meat for making hamburgers.

When New Zealand's economy was restructured in the 1980s American companies bought Telecom and New Zealand Railways. Overseas investment in New Zealand meant credit rating agencies



Globe showing map of China

could have a big impact on the amount of interest the government and businesses had to pay for overseas loans.

## Australia and CER

New Zealand and Australia have always had strong trade links. In 1965 a free-trade agreement abolished tariffs and quotas. The Australia–New Zealand closer economic relationship trade agreement (CER) came into force in 1983. Workers move between New Zealand and Australia for jobs. Australia is the largest investor in New Zealand, and some people have suggested the countries should form a single economy.

## Japanese trade

Japan began exporting cars to New Zealand after the two countries signed a trade treaty in 1958. In 1971 Japan invested in a large aluminium smelter in Southland. From 1980 the number of Japanese tourists increased rapidly. Japan buys aluminium, timber, dairy products, fish and produce from New Zealand, and three-quarters of New Zealand cars in the early 2000s were made in Japan.

## Socialist states and oil states

Before the break-up of the Soviet Union, it purchased about 5% of New Zealand's dairy produce, wool and mutton. Strong trade with oil states in the 1980s fell away.

## China

As the Chinese economy has grown, trade with China has boomed, and by 2009 China was New Zealand's fourth-largest trading partner. In 2008 China and New Zealand signed a free-trade agreement. Many Chinese have emigrated to New Zealand: in 2006 nearly 80,000 New Zealand residents were born in China.

How to cite this page: . 'International economic relations', Te Ara - the Encyclopedia of New Zealand, updated 5-Mar-10

URL: <http://www.TeAra.govt.nz/en/international-economic-relations/shortstory>