



Submission No 1

Australia's trade and investment relations under the Australia-New Zealand Closer Economic Relations Trade Agreement

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Submission to:

**Joint Standing Committee on Foreign Affairs, Defence and Trade of
the Parliament of the Commonwealth of Australia Inquiry into
Australia and New Zealand Closer Economic Relations**

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Introduction

This submission is in response to a letter of invitation dated 7 March 2006 from Dr Stephen Dyer, Review Secretary.

The invitation from Dr Dyer specifically mentioned my recent article in the Australian Review of Public Affairs. I have also published a paper on related topics in the Journal of Public Affairs.

Both papers give a succinct account of my views regarding the need for increased fairness and transparency in the trans-Tasman trade arena, specifically in regard to the long-standing Australian ban on importation of apples from New Zealand. Therefore, rather than repeating the arguments advanced in those papers in a lengthy submission, I am attaching both papers as appendices to a very brief submission.

My submission therefore consists of 5 parts:

- A brief summary of the main points (page 3);
- A picture reprinted (by permission) from the Otago Daily Times, which provides a much more evocative illustration than anything I could write of the impact which unfair trade practices are having on local New Zealand industry: a Central Otago orchard after the trees have been chain-sawed down because the grower has no economic market for his fruit, 2005 (p.4);
- A one-page summary of my views regarding this issue (p.5);
- Appendix 1: “Underarm Bowling and Australia-New Zealand Trade”, reprinted from the Australian Review of Public Affairs, 18 July 2005;
- Appendix 2: “Advance Australia Fair? Anatomy and Pathology of an 84-Year Trade Dispute”, reprinted from Journal of Public Affairs 5: 112-123, May, 2005.

Thank you for giving me this opportunity of expressing my views.

Brief Summary:

- The CER agreement commits Australia and New Zealand to ‘develop trade between New Zealand and Australia under conditions of fair competition.’
- There is currently a huge merchandise trade imbalance in Australia’s favour: AU\$3.812 billion in 2004-05 according to DFAT figures.
- The 85-year Australian ban on importation of apples from New Zealand continues as a festering sore in trans-Tasman trade relations.
- Lack of a market in Australia has caused incalculable harm to the New Zealand apple industry, including many growers being forced to exit the industry.
- The WTO ruled in 2003 that there is “a negligible risk of possible transmission of fire blight through apple fruit.” In this WTO dispute USA vs. Japan, New Zealand was a third party to the USA and Australia was a third party to Japan. Japan and Australia lost.
- Despite the WTO ruling, Australia has continued to use the contrived risk of fire blight as a phytosanitary barrier to trade between the two countries.
- In the words of Alan Oxley, former Australian Ambassador to GATT: *“Australia’s trading partners believe that Australia officially politicizes quarantine management to protect the domestic market for Australian producers. This is a relatively recent development. This undermines a reputation Australia once had for world’s best practice in quarantine management. It also creates a hostile environment for Australia to pursue its international trade interests.”*
(http://www.aph.gov.au/senate/committee/rrat_ctte/apples04/submissions/sub33.pdf)
- Moves are afoot in New Zealand to establish a “Buy New Zealand” campaign, similar to the Australian Made campaign launched in 1986 by then Prime Minister Bob Hawke. Although this seems a retrograde step in the modern era of free trade, the magnitude of the trans-Tasman trade imbalance and the perceived unfairness of certain aspects of the trade relationship between Australia and New Zealand provide great incentive to try to redress the balance.
- **Recommendations:** In the interests of maintaining and enhancing CER, Australia should take urgent steps to bring its quarantine practices into line with WTO policies. Furthermore, Australia should cease all actions designed to discriminate against products of New Zealand origin – such as the Minister of Agriculture’s 2005 “offensive” against importation of New Zealand potatoes and other food products.