**CER – Closer Economic Relations between New Zealand and Australia.**

This is a “free trade agreement” so that all tariffs are removed.

**Effect of CER on New Zealand growers.**

1. Australia can “dump” large quantities of primary products onto New Zealand markets. Australian growers watch the New Zealand market for high prices then send product over.
2. Increased competition / supply reduces prices on New Zealand market.
3. Periods when growers / suppliers could guarantee high prices are removed i.e. reliability of market disappears.
4. Consumer demand / preference may change under the influence of the new competitive products.
5. New Zealand producers can send large quantities of excess produce to Australia when they have saturated the local market and Australian prices are high.

**New Zealand grower reaction can be:**

1. To change the major time schedule of the crop production so that the major production peak coincides with the Australian high prices / low production and not Australian dumping on New Zealand markets.
2. Supply for a longer period of time to encourage flexibility of supply.
3. Where necessary change varieties grown to follow change in consumer preference.
4. Become more competitive by amalgamating into large groups able to supply large quantities all over the world.
5. Central control over quality of product.
6. Aggressive marketing of New Zealand products on the local market.
7. Look for new market niches for products.

**Exercise:**

Using this as a frame work write a model answer on the effect of CER on a product you have studied,

**GATT – General Agreement on Tariffs and Trade.**

**History:**

* 40 years of trade negotiations to develop international trade rules based on free trade.
* When GATT first set up, export subsidies and import quotes on industrial goods were banned e.g. wool, but agricultural goods exempt from international trade rules, as a result, proliferation of unfair trade practices occurred.

**GATT Uruguay Round:**

* Agriculture was on the agenda (1989-1994)
* Concluded with steps to move agriculture to an open trading system.

**Recently:**

* It imposes disciplines that cap market protectionism and limit the volumes of subsidies exports.
* It imposes strict disciplines on import barriers.
* It provided minimum access, whereby import opportunities equivalent to 5% of consumption must be offered.
* GATT does not increase the size of existing markets but only ensures access to them. However, at the same time our competitors also get access. As a results the market could get even tougher internationally.