

## Economic challenges down under

likely to earn New Zealand some 400 million dollars a year by the end of the decade.

Forestry has always been important to New Zealand. We have forestry companies that are large and efficient by international standards. Vigorous planting programs in the past will mean that by the end of the decade there will be enormous quantities of softwoods available for exploitation which will give New Zealand a substantial place in world forestry trade.

In fishing, we have one of the largest exclusive zones in the world. Until recently few New Zealand fishery companies were in a position to exploit this valuable deepwater resource, but that is changing rapidly.

Manufactured exports from New Zealand have increased greatly in volume and value. The annual rate of growth in manufactured exports from New Zealand has

investment package of capital, management and technology. It is natural that New Zealand should look to Canada, with its considerable experience in resource-based projects, and with technology that is often appropriate for New Zealand conditions. In some cases Canadian companies have taken up what is essentially US technology and refined it to an operating scale we can cope with. We also find it easy and natural to do business with Canadians. The involvement of Alberta Gas Chemicals, one of the Nova group of companies, in New Zealand's methanol plant is the best example. The methanol plant was an investment proposition that attracted great interest from a number of large multinational corporations. In the end, the Canadian company won over its much larger competitors because we thought the Canadian package was better suited to our needs. This methanol project is a big one: by late 1983 it will produce 1,200 tonnes of methanol a day.

There are certain risks in these big, long-term projects, particularly in an economy the size of New Zealand's, but the plain alternative we faced was to sit back in a state of shock as a result of the very adverse turn of events in the 1970s which I described earlier. We have faith in New Zealand's future.

### Free trade with Australia

On the trade side, we are very near to concluding what we call a closer economic relationship with Australia. We have had an agreement called the New Zealand-Australia Free Trade Agreement (NAFTA), for over fifteen years. But towards the end of the 1970s, as we tried to redirect our economy in the face of current economic difficulties, towards a more competitive environment, both countries realized that something more far-reaching was required for the 1980s and beyond. We have developed a plan and schedule for eliminating all remaining barriers to trade between our countries. We will, in effect, create a single market of some importance in the Pacific region. It is pretty much the same concept as the European Community, but I hope it will not turn out to be so protective. We will remain two sovereign countries — political union is not even a serious subject for debate — but we will gain the economic advantages of an integrated trading area.

That means increased trading opportunities for others, and we hope they will take advantage of them. Few countries know as well as we and the Australians the perils of trying to create a regional grouping by erecting barriers to trade with the rest of the world. Both Australia and New Zealand have had first-hand experience of this through having to cope with the effects of the European common agricultural policy. On many occasions I have called the common agricultural policy "economic lunacy." Australians tend to be much less polite.

When I first became Prime Minister I was asked whether I had any long-term ambition for New Zealand. I replied that my goal was to leave New Zealand no worse than I found it. Had I been a politician from some great continental power perhaps I would have subscribed to a rather grander vision. In fact, given the external shocks we have had to cope with, even this modest goal of mine has proved difficult enough. However, the policies we have implemented are designed to take New Zealand back on its accustomed path of steady economic growth and social progress. I have no doubt we will achieve that objective. □

NEW ZEALAND HIGH COMMISSION



*Kiwifruit growing in New Zealand*

been around 30 percent since 1972. It is estimated that by 1990 around 50 percent of New Zealand's export earnings will be derived from manufactured exports — a very considerable shift in the structure of an economy that up to now has been based on pastoral industries.

### Meeting the energy challenge

The greatest changes are occurring in the energy field. In some respects, New Zealand is in a curious position. On the one hand, in spite of excellent prospects, little oil has been so far discovered in New Zealand or its offshore areas. But we have large commercial gas fields, plenty of hydro-electric power, and extensive geothermal reserves. Developing these energy resources into a balanced energy plan has been a major preoccupation of my government over the last few years. Our biggest energy project is a synthetic petrol plant, utilizing New Zealand's considerable natural gas resources. We estimate that by 1988 this single plant will provide one-third of New Zealand's gasoline requirements. We have just completed the complex task of arranging a loan of 1,700 million dollars to finance the project, and this has been filled without government guarantees. The project is, in a word, bankable.

In a short space of time, we have taken a whole range of decisions covering compressed natural gas, liquified petroleum gas, refinery processing, methanol and synthetic petrol that will completely change the thrust of New Zealand's energy dependence. With the possible exception of Brazil, New Zealand's search for alternative transport fuels to replace imported petroleum is as intense as any in the world. By about the end of the decade we will have moved from a position of being less than 10 percent self-sufficient in fuels to about 50 percent.

When we look for investment partners for our resource-based projects, we are looking for the right direct