

*Australia.*—During the four calendar years ended 1948, there was a progressive decline in the proportion of New Zealand's exports to Australia, and the proportion of exports to that destination in 1948 (2·7 per cent.) was lower than in any previous year.

The main items entering into New Zealand's export trade with Australia are wool, gold, sawn timber, fish, grass and clover seeds, hides and skins, and some manufactured goods. The decline in the volume of exports has been mainly in wool, gold, and hides and skins. Exports of timber, grass and clover seeds, fish, and manufactured goods have expanded considerably between 1938 and 1948. When present plans for the expansion of New Zealand's timber and pulp industries come into full operation the value of New Zealand's exports to Australia may be expected to increase substantially. Australia's rising population, and the industrial advances she is making, will undoubtedly bring about changes in the nature of her import requirements, and increased opportunities should occur for the export of a number of other New Zealand manufactures, such as dairying machinery, cardboard, and chinaware, which are already being sold competitively in that market. Increasing quantities of processed foodstuffs have also been sold in Australia in recent years, and the export of such items as lactose, canned fish, fish-liver oil, canned peas, rennet, and casein should continue to expand.

New Zealand's competitive advantage in the Australian market was affected by the exchange appreciation in August, 1948, and its ability to compete in Australia in some lines is still handicapped by this factor. This may be offset to some extent, however, by the general disinflationary effect of New Zealand's return to parity with sterling.

*The Far East.*—The proportion of the value of New Zealand exports to Far Eastern countries (India, Pakistan, Ceylon, China, Hong Kong, Burma, Malaya, Indonesia, Philippines, and Japan) declined from 1·4 per cent. of the value of total exports in 1938 to 0·9 per cent. in 1948. This decline has been caused in part by the unstable political and economic conditions that have characterized the post-war years in most Eastern countries.

High levels of exports during the war are explained by supplies to the Eastern Group Supply Council and later to UNRRA.

Available statistics do not point to any significant changes in the classes of goods entering into New Zealand's current trade with Eastern countries, as compared with pre-war years. Wool and milk-products are still New Zealand's major exports to those destinations.

Japan was the main Far Eastern purchaser of New Zealand products before the war. The early post-war years found the Japanese destitute of the means to enter into external trade except under barter conditions. In 1948 a trade arrangement was concluded between the sterling area (including New Zealand) and the Supreme Commander for the Allied Powers in Japan, providing for the conduct of trade on a sterling basis. This arrangement was designed to maximize trade between the sterling area and Japan on a balanced level, consistent with the general trade policies of the individual participants. During 1949 New Zealand exported wool, hides, skins and token quantities of dairy products to Japan, and imported mainly textiles and furniture-timber. The value of exports to Japan in 1949 is estimated at approximately £500,000, compared with £391,000 in 1939.

In general, New Zealand's exports to Eastern countries have not expanded in the same way as those of Australia and some other countries, although the Far East may be regarded as a natural market for a number of New Zealand products. Factors limiting the scope for the development of New Zealand's export trade with the East includes—

- (a) The bulk-purchase contracts with the United Kingdom. It should be noted, however, that small quantities of dairy products and meat are regularly exported from New Zealand (either directly or under allocation by the British Ministry of Food) to those Eastern countries to which these products were exported before the war.