



19 October 2012

Comments on the Discussion Draft of the Joint Study Strengthening trans-Tasman economic relations by the Australian Government Productivity Commission and the New Zealand Productivity Commission

Dr Chris Sadleir, Assistant Professor Public Administration, Faculty of Business, Government and Law, University of Canberra.

Greg Mahony, Assistant Professor Economics, Faculty of Business, Government and Law, University of Canberra.

The Discussion Draft provides a timely and comprehensive coverage of trans-Tasman economic issues. Our response focuses on suggested extensions of the commissions' thinking rather than criticisms. We will restrict ourselves to comments related to the subject of our initial submission (Mahony and Sadleir sub 28), that is the regulation of foreign direct investment (FDI) and issues related to government capacity required to effect such regulation. Our submission called for enabling increased capacity to contribute to the growth of and ongoing successful adaption of ANZCERTA as a means of encouraging and deepening trans-Tasman relations. The regulation of FDI can be seen as an exemplar of the challenges that arise both in the bilateral relationship and learning from that bilateral relationship that may be employed in multilateral and especially regional relationships in the Asia Pacific; lessons that will serve us well in grasping the opportunities of the 'Asian Century'.

The need to enhance improved capacity development within the ANZCERTA government to government relationship suggests a prior question of the willingness of both parties to pursue the development of the relationship and a clear understanding on how best to develop the relationship. For example, the pace of change in transnational governance arrangements may be gradual and incremental or rapid, or even revolutionary; and the mode of change may be state or business led or established through consensus (Thatcher 2009 p29). It is very much one of crafting cooperation (Acharya and Johnston 2007), identifying that institutional design matters (Ravenhill 2010), and marshalling considerable technical skill to solve emergent challenges.

Thus we strongly support draft recommendation DR 5.1 (Establish a clearer leadership and oversight role for CER, building on existing governance arrangements and the annual meeting of Prime Ministers). However, we suggest that this recommendation can be further built on so as to reinvent and enable a trans-Tasman

institution to monitor, engage and support ANZCERTA as a vehicle for deepening the economic and social aspects of this relationship. Such an institution might have the character of a steering committee while relying on leadership in particular fields to emerge from closer association of trans-Tasman agencies.

Three implications can be noted:

- 1) Capacity of government agencies to contribute to and enable the successful deepening of this relationship. A standing group of officials to support the annual meetings of political leaders would be a significant means of enabling this recommendation (i.e. DR 5.1) In addition more could be done to encourage the exchange of ideas, skills and personnel between counter-part government agencies (E.g. FIRB and OIO). It would be worth examining the character of experiences in the European Union or Nordic countries which have enabled a deepening of understanding between government agencies and underpinned deeper trans-border, regional relationships.
- 2) Expanding responsibility for this relationship and reminding those on both sides of the Tasman of the depth and importance of this relationship. We welcome the proposal for reviews of the relationship at five year intervals. We also suggest the need to recognise, explore and celebrate this relationship during 2013, as a significant anniversary. This would go some way to encourage wider public awareness and education on the significance of the relationship. The 30th anniversary also affords the opportunity to explore ideas for the future development of this relationship through engagement with business, civil society and academia. Such engagement could be used to identify more clearly the similarities and differences between counterpart organisations and bodies either side of the Tasman. Differences in perspective often embedded in differing social norms could be more clearly articulated and explored. Developing such a dialogue over time could well assist the policy development and guide implementation. An illustration might be exchanges between Maori and Australian indigenous groups focused on land use and natural resources development. A way forward may be found for what at times seems to be intractable issues of 'sensitive land' and other matters related to culture and development related to FDI.
- 3) Use the experience gained through the institutional history of ANZCERTA as one to learn from and develop as means for wider regional and international engagement. If CER is to be a building block for the two partners dealing with ASEAN and APEC then it will come out of the processes we advocate; it cannot

be imposed from above. Ministerial directives will not work in themselves. Resources will be needed and efforts of government focussed on developing ties within Australian and New Zealand as a platform for building stronger links with the Asia Pacific in the Asian century. Again the regulation of FDI is a relevant illustration here. Enhanced awareness of differences in culture and social norms between New Zealand and Australia could see us as more capable of identifying and responding appropriately to difference as it arises within the countries of the Asia Pacific. So we support DR 5.3 (The Australian and New Zealand Governments should undertake further work to facilitate joint action to achieve successful regional and multilateral integration, and greater leverage in international rule making and standard setting). However, our approach suggests that promoting more liberal regimes for FDI to other countries of the region requires a carefully hewn sensibility to cultural and social difference.

We support DR 4.5 (The Investment Protocol should be enacted as soon as practicable). Removing remaining trans-Tasman FDI restrictions may well be severely constrained as by the implications AUSTFA. We would add that such removal is no less constrained by social and political pressures, many of which are underpinned by strong social norms in the two trans-Tasman countries. The commissioners might consider further concrete recommendations as to how obstacles to inward FDI in the areas of agriculture, natural resources and some services can be addressed.

Again we would like to commend the Productivity Commissions on a most useful discussion draft.

References:

Acharya, A. and Johnston, A. 2007, *Crafting Cooperation: Regional International Institutions in Comparative Perspective*, Cambridge University Press, Cambridge

Ravenhill, J. 2010, "The 'new East Asian regionalism': A political domino effect", *Review of International Political Economy*, Vol. 17, No. 2, pp 178-208

Thatcher, M. 2009, "Internationalization and the state: reforming regulatory institutions", paper presented at the Workshop on Mapping State Administrations: Towards a Common European Research Agenda, Dublin, March see <http://ideas.repec.org/p/ucd/wpaper/200914.html>