



AUSTRALIA NEW ZEALAND LEADERSHIP FORUM

Comments on  
A Single Economic Market  
for Australia & New Zealand

Roderick Deane

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# Objectives

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Free trade in:

- Goods and Services
- Capital
- Knowledge
- People



# Application

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These objectives should ideally apply:

Both externally

- to the Australia/New Zealand relationship; and
- to the rest of the world

And internally in both countries



# Work in Progress

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## Industry regulation

eg, Aviation

Banking

Therapeutic products

Telecommunications

## Border issues

eg, Rules of origin

Mutual recognition arrangements

Border processes

- goods
- people
- capital

## Business sector

eg, Accounting standards

Competition policy

Consumer protection

Securities offerings

Corporate governance

Stock exchanges

## Taxation

eg, Reciprocal recognition of  
imputation credits



# Hypothesis

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- Both economies small, remote, primary/resource based
- Need compensating comparative advantages
- These could be
  - Superior macro policies
  - Lower taxes
  - Less regulation
  - Lower transactions and compliance costs
  - Lower cost of capital
- These help drive productivity growth and hence competitiveness



# Big Issues

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- Common currency
- Common third party free trade agreements
- Security and defence integration
- Visa free reciprocal entry
- Common immigration policy
- Labour market regulatory integration
- Kyoto
- Taxation



# On the Big Issues

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- Too hard?
- But, this is where the real gains reside
- These would make a real SEM
- And, yield major gains for business  
(especially trans-tasman firms)
- Yet, in some cases we are going in opposite directions
- Rhetoric versus reality?



# Some Illustrations

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## Banking regulation

Australia - wants integration

New Zealand - wants standalone capability even at huge cost

## Labour markets

Australia - deregulating further

New Zealand - re-regulated extensively

## Kyoto

Australia - standalone

New Zealand - signed up at vast cost

## Industry regulation

Australia - long standing arrangements

New Zealand - widespread new regulation





# A Single Economic Market

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Is not “harmonisation”

It is less and more efficient regulation

Is not “common external tariffs”

It is lower tariffs

Is not a “single set of rules”

It is fewer and better rules

Is not simply “border issues” or “trans-tasman issues”

It is also improved internal micro economic policies

Is not officials and regulators getting together

It is about business doing better, ie, having more  
competitive advantages



# Summary I

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- Government policy effectiveness facilitates efficient business
- This applies to internal and external policies
- Business generates most growth
- Macro policies in both countries get good grades
- Micro policies more variable and more questionable in effectiveness
- Both countries could do more to assess real costs and benefits of regulatory interventions
- Compliance and transactions costs are growing rather than easing (especially in New Zealand)



# Summary II

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- Trans-tasman some of the big issues look hard
- But, we should keep them on the agenda
- Numerous other issues helpful but not all are substantive
- Less and better regulation rather than simply harmonisation is the key
- Need enhanced process between ministers/officials/business to achieve this
- The opportunities look substantial; let's grasp them more firmly



# *Economic structure:*

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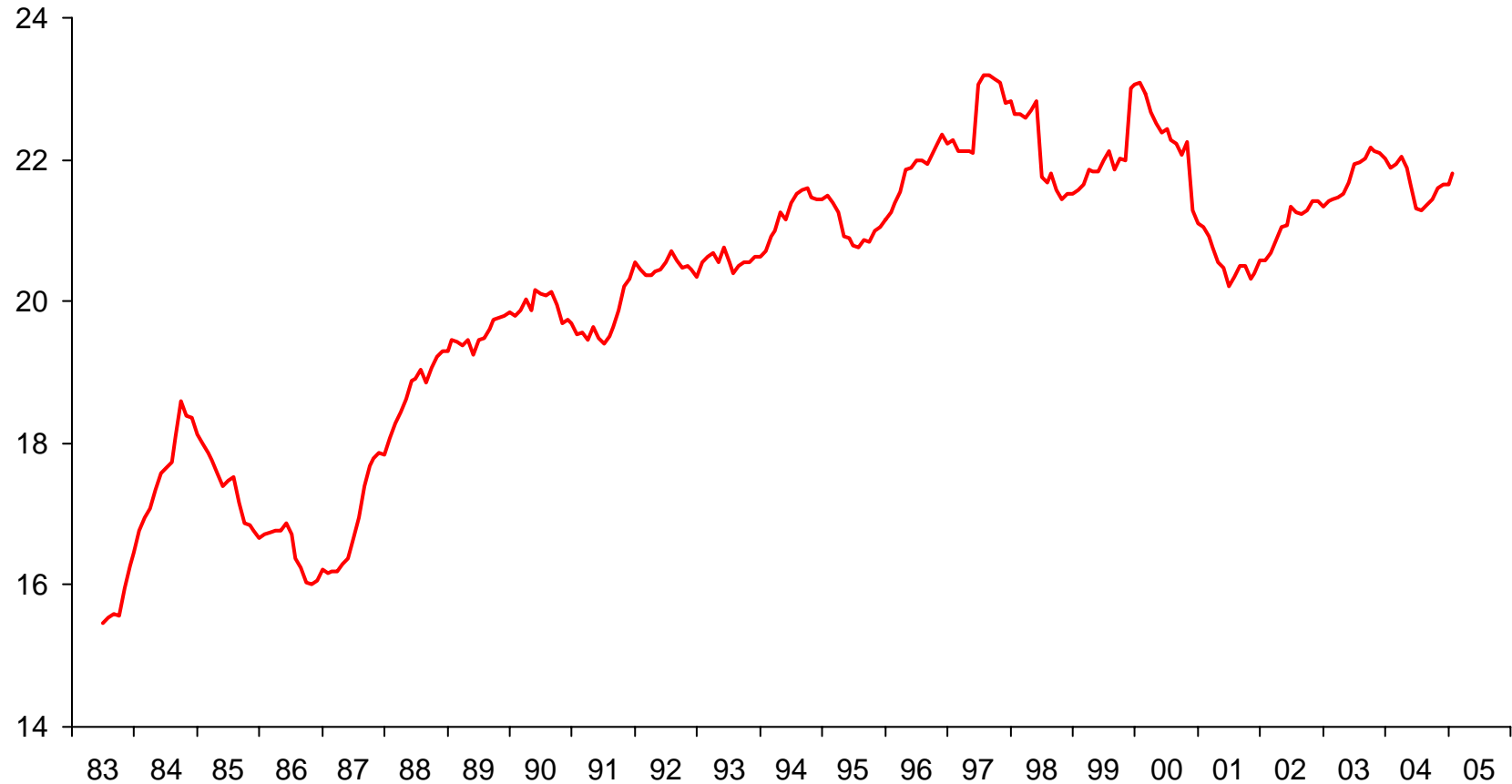
	Australia	NZ
Exports as a % of GDP	32.1%	19.1%
Commodity exports/ Total merchandise exports	61.2%	59.0%
Real GDP per capita	NZ\$30,475	NZ\$43,980

Sources: Statistics New Zealand; ABS; *ANZ National Bank*. Australian Real GDP per capita translated into NZ dollar terms at an exchange rate of 0.9019 (average exchange rate over 2004).



# *Economic integration: Trade*

(exports + imports) / total trade



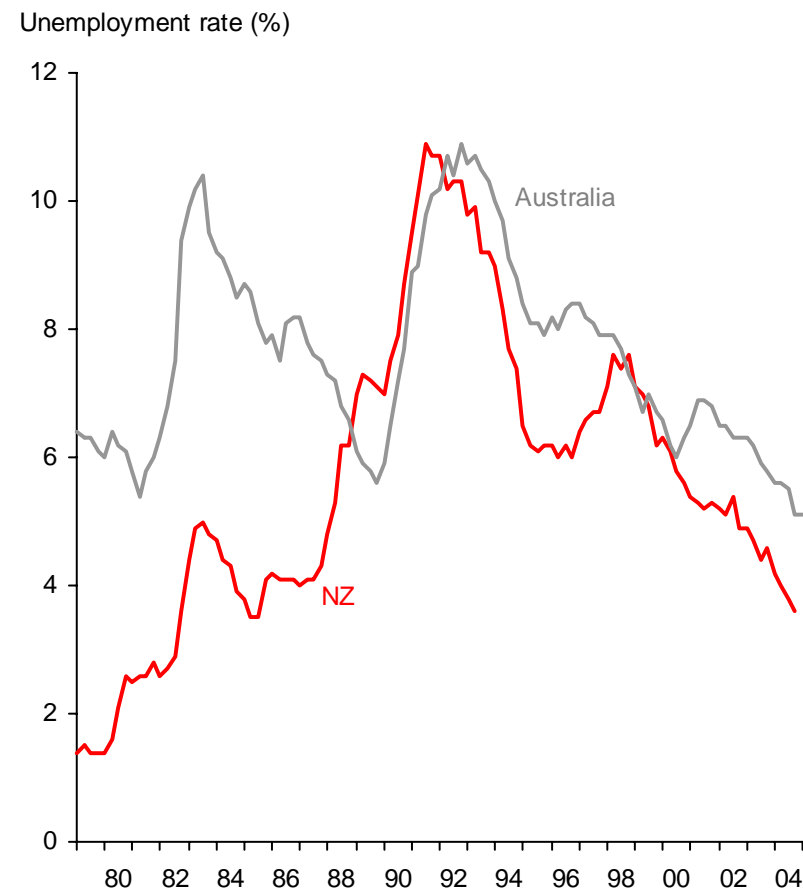
Sources: Statistics New Zealand; *ANZ National Bank*. Data is the annual total of NZ's exports and imports to/from Australia as a proportion of annual total merchandise exports and imports to/from all countries.



# Labour market: Less flexibility means fewer people in jobs

Relative unemployment rates

	Unemployment rates
NZ	3.6%
UK	4.5%
Australia	5.2%
USA	5.4%
Italy	8.5%
France	9.5%
Germany	9.9%



Sources: Statistics NZ; ANZ National Bank.

