

INVITED PAPER

The Trans-Tasman Relationship: A New Zealand Perspective

Hon Phil Goff, New Zealand Minister of Foreign Affairs and Trade

ABSTRACT

New Zealand's relationship with Australia stems from a common heritage and values that lead us to see the world in a similar way. Our two nations are uniquely close due to geography and a shared history. However, this paper considers the proposition: are New Zealand and Australia moving closer together or drifting apart? The paper argues that, in a globalising world, it makes sense for the two countries to work closely together and combine their efforts to promote our shared economic, defence and regional interests. Specifically, it maintains that economic integration will be needed to offset the risks that globalisation poses for us both, and that both countries are better off operating as a single economic entity, with CER providing a stronger platform for our economic relations with the wider region. It also argues that the prospect of continued disturbances in the region means that the cooperation of our two Defence Forces will be essential.

The Honourable Phil Goff is the New Zealand Minister of Foreign Affairs and Trade and Minister of Justice. First elected to Parliament in 1981, Mr. Goff held several Ministerial posts in the fourth Labour Government, including Housing, Employment and Education. He is a graduate of Auckland and Oxford Universities. This paper is an adaptation of an address given to the Otago Foreign Policy School at the University of Otago, in Dunedin, New Zealand, on 29 June 2001.

New Zealand's relationship with Australia is the most extensive and important we have with any bilateral partner. Our two nations are uniquely close due to geography and shared history, values and institutions. There are strong economic and family ties between the two countries. In many cases, it would be difficult to find two sovereign nations who are as close as New Zealand and Australia. It is a sibling relationship with the closeness and the rivalries, the expectations and the tensions this implies.

The central proposition addressed by this paper is, as we begin a new century, are New Zealand and Australia moving together, or drifting apart? The short answer is that New Zealand's relationship with Australia is in fact characterised by integration *and* divergence.

While there has been a strong desire to work together, this has sometimes led to unrealistic expectations of harmony of outlook, alignment of views and coordination of policies in all areas. We set very high hurdles for each other and, occasionally what would not constitute "failure" for other countries in similar situations is seen as "failure" on either or both sides of the Tasman. Australia is "asking too much" or the Kiwis are not "pulling their weight." It is important that these problems, however, are not allowed to get out of perspective. On both sides we tend to neglect to celebrate or accentuate the positives. This paper will provide this focus, and explore what I call the cornerstone areas in the Trans Tasman relationship — the ability to work and live in each other's countries, economic ties and security cooperation.

Trans Tasman Travel Arrangements

Our similarities stem from common roots. Population flows across the Tasman in both directions have fluctuated markedly over two centuries. In the early nineteenth century, New Zealand gained much of its European population from Australia.

Through the nineteenth century, the Australian and New Zealand colonies followed parallel courses, establishing themselves as leading pastoral economies and modern social democracies, while remaining islands of British-ness half a world away from the mother country.

Together we emerged in the twentieth century as independent nation-states against a backdrop of world wars and global depression and were further shaped by international trade, rapid technological change and increasingly multicultural societies. We both developed a greater sense of our Asia-Pacific destinies and faced the challenges of recognising the rights and values of our indigenous populations.

Trans-Tasman migration has always been an enriching feature of our two societies, as many individual life stories can attest. John Christian Watson grew up in New Zealand before emigrating at age 21 to Australia. 16 years later, in 1904, he became Australia's first Labor Prime Minister. Australia returned the favour by giving us

Michael Joseph Savage, who led the first New Zealand Labour Government into office in 1935. Not to be outdone, we sent over Joh Bjelke-Petersen, though I am not sure all Queenslanders appreciated the gesture. The tradition continues with two New Zealand-born Ministers, John Fahey and Jackie Kelly, serving in John Howard's government, and Australian-born Matt Robson being in the New Zealand Cabinet.

In the 1970s our economies began to diverge with Australia better equipped than New Zealand to adjust after Britain joined the EEC. The number of New Zealanders living in Australia doubled from 80,000 in 1971 to around 177,000 in 1981. In the next 20 years it doubled again to the current level of over 400,000. There are now literally hundreds of thousands of families that span the Tasman. The magnitude of the interrelationship is evident in the extent of the airline traffic. Airline schedules currently provide around 540 trans-Tasman services and 106,000 seats in both directions every week.

The ability for New Zealanders and Australians to enter, visit, live and work in each other's country with the minimum of bureaucratic obstacles has contributed immeasurably to the cross-fertilisation of our two societies and to the success of economic integration. But the imbalance in migration flows has led to progressive adjustments to the terms of New Zealanders' access to Australia.

In 1981 the Fraser Government required New Zealanders to hold passports to enter Australia and for non-citizen New Zealand residents to obtain a visa. A further restriction was introduced in 1994 when all New Zealanders were required to hold "Special Category Visas" to enter Australia (though these are issued almost automatically on arrival).

On the social security side, adjustments in 1989 and 1994 introduced waiting periods before new arrivals became eligible for benefits in either country, and an annual reimbursement system between governments. New Zealand is reimbursing Australia NZ\$169 million this financial year towards the cost of old age, veterans, invalid and single parent benefits received by New Zealanders in Australia.

Through the 1990s the Australians became more and more dissatisfied with the existing social security arrangements. This was regularly expressed at Prime Ministerial level and in August 1999 Mr Howard and Mrs Shipley agreed to a thorough review. That Joint Review was completed in June 2000. It shows the large gap between the two Government's positions. On the one hand, Australia claimed that New Zealanders were costing its welfare system around A\$1 billion a year. This included payments to Kiwis such as the unemployment benefit, for which New Zealand was not currently reimbursing.

On the other hand, New Zealand felt that Australia was not taking sufficient account of the substantial contribution made to the Australian economy by the New Zealand

community, including tax payments and skills acquired at no cost to Australia. Business as usual was not an option. Australia was simply not willing to maintain the traditional ease of access for Kiwis unless New Zealand agreed to pay substantially more.

It was clear to this government that we needed some kind of circuit breaker. We had to get out the repetitive cycle of reimbursement negotiations that left neither side satisfied for the long-term, and threatened to sour the wider relationship. We looked for a fresh approach that would contain the New Zealand taxpayers' fiscal obligation and at the same time protect Australia from an open-ended responsibility for New Zealand migrants.

Returning to first principles, we questioned the notion that New Zealand taxpayers should be forking out welfare payments for people living and paying taxes in another country. The main exceptions seemed to be superannuation, which it seemed reasonable to regard as an immutable entitlement for which people had contributed taxes all their working lives. We later decided it would be appropriate, on humanitarian grounds, also to make provision for people with severe disabilities. This approach proved to be the breakthrough that successive Governments had been looking for. Officials were directed to enter into negotiations aimed at securing a new cost-sharing agreement with a slightly narrower focus than the existing reimbursement system. It was to be understood that access to benefits outside the scope of the bilateral agreement would continue to be a matter for each Government to decide for itself. In other words, New Zealand was not going to agree to the substantial additional reimbursement sought by Australia. But we acknowledged that Australia of course had the right to determine for itself what additional benefits it would make available to migrant New Zealanders.

The new arrangements remove a significant and long standing irritant from our most important bilateral relationship. The new arrangement preserves New Zealanders and Australians' ability to enter, live and work in each other's country under the Trans Tasman Travel Arrangement. The two Prime Ministers have publicly reaffirmed the commitment of both Governments to that principle.

I believe that the freedom of movement and effective common labour market between our two countries is unparalleled in the world. New Zealanders and Australians continue to be able to move to each other's country with the barest minimum of bureaucratic obstacles. It is virtually as easy as hopping on a plane. Canadians, for example, enjoy nothing like this access to the United States. Even Europeans are still bound with red tape when it comes to moving to other parts of the Union. At the same time, Australian unease about unrestricted access for New Zealanders, including increasing numbers born elsewhere, has been alleviated by their creation of a Permanent Residence filter for future migrants.

Rather than contemplating greater harmonisation of immigration policy to meet Australian concerns, we have opted to maintain the sovereignty of our own immigration programme. Control over immigration goes to the heart of what sort of society we want here. We need to recognise that, similarly, Australia has both the right and the desire to set its own immigration rules. Entitlements of the large number of New Zealanders already living in Australia are unaffected. This community of 400,000 Kiwis will, if anything, enjoy greater certainty about their status in their adopted country.

To be honest, I do have my doubts about the fairness of the situation for future taxpaying Kiwi migrants who lack Permanent Residence in Australia. If they fall on hard times assistance will be limited to one-off temporary access to the unemployment benefit if they have been there 10 years. The equity of this approach is, of course, an issue that falls outside our bilateral Agreement. But it is something Australia may find it has to grapple with further down the track.

The new arrangements represent a saving for the New Zealand taxpayer over the existing reimbursement system and, more significantly, avoid the substantial additional costs and outward flow of currency associated with preserving the status quo. It is reasonable to assume that we would have been looking at an additional sum in the order of hundreds of millions of dollars per annum to bridge the gap between our present reimbursement of about A\$130 million and the Australian claim of A\$1 billion costs.

Economic Ties

Our economic ties have bound us ever closer together. Australia is by far our most important single export market, taking 21% of our total exports — that is 50% larger than our next most important single trading partner, the US. The economic benefits have risen dramatically under Closer Economic Relations.

Importantly, 40% of our exports to Australia are made up of “elaborately transformed manufactures”, a much greater proportion than to any other country. Australia is also a key market for the export of New Zealand services, and there is very extensive trans-Tasman investment activity. Companies such as companies Fisher and Paykel and Lion Nathan are truly trans-Tasman corporations operating in both countries. The relationship is two-way. We are Australia’s third largest market overall and its largest market for manufactured goods.

There are numerous other economic ties between us. The open skies policy signed in November last year between the two countries has given airlines from each country access to the entire Australasian market.

We work closely together in the Cairns Group to eliminate farm export subsidies that will have enormous spin-offs for both our countries agricultural sectors. And combining forces to end the US lamb restrictions into our market strengthened each other's hand to bring about a positive result. Participation in free trade agreements with other countries has, however, seen some divergence in approach between the two countries. New Zealand has moved to quickly enter into a closer economic partnership with Singapore and is in the process of negotiating a similar agreement with Hong Kong. Both countries have expressed a desire for a free trade agreement with the United States, with Australia having determined that a unilateral rather than a combined CER approach has better prospects of success.

Defence

The New Zealand-Australian alliance has been longstanding with the understanding that each would go to the defence of the other in time of need. The Anzac tradition has been forged on battlefields the world over, from Gallipoli to North Africa, from Korea to Kuwait.

But our co-operation has developed further in recent years. The peace settlement in Bougainville resulted from a joint approach. New Zealand's advantage as a small, non-threatening state enabled the signing of the Lincoln and Burnham peace agreements and complemented Australia's ability to contribute substantial resources to maintain the momentum of the peace process.

New Zealand forces served under Australian command in East Timor as part of INTERFET and close cooperation between our military forces has continued under UNTAET. This cooperation has represented the ANZAC tradition at its best. Both countries make up the International Peace Monitoring Group in the Solomon Islands. Our presence emerged out of last October's Townsville Agreement and the IPMG has contributed to peace efforts through the collection of weapons held by armed groups that continues to destabilise the country. Progress unfortunately has been slow and further joint efforts will be needed. These joint deployments have significantly diminished accusations that somehow New Zealand is a 'bludger' or 'freeloader'.

The Government's recent capability decisions have been aimed at equipping New Zealand with a modern and appropriate Defence Force that will ensure excellence in the performance of its core functions — particularly in low intensity conflict that would be most likely in our region.

Naturally, we perceive our security differently. That is as much a function of geography as anything. New Zealand views security, as last year's Defence Framework notes, in a comprehensive way as a partnership between foreign policy and our defence capabilities. Australia has tended to view its security as a calculation of threat.

Nevertheless, maintaining a close defence partnership with Australia is emphasised as one of our five key objectives. The recent Australian Defence White Paper similarly acknowledges the value placed on defence cooperation with New Zealand. With the prospect that regional disturbances could continue, our forces will need to operate together. The reshaping of our defence capabilities to be land based supported by good transport, will enhance this ability to work together because our soldiers will in future have the equipment to match the quality of their training and professionalism. Indeed, our defence relationship of the future might entail more ambitious co-operation arrangements in which each side, in certain circumstances, could contribute its particular capabilities to a joint force structure — in a sense formalising an existing trend in places such as East Timor.

Future Relationship

With this in mind, what does the future hold? Again, the answer, I believe is both convergence and difference. There are a number of developments that will bring us more closely together.

Economic integration will continue with the deepening of CER, and our mutual need to tackle the challenges of globalisation as smaller, distant, southern hemisphere economies retaining a significant (though not exclusively) agricultural base. Evidence suggests there are economic benefits to businesses of both countries from a move towards a single market in goods and services as envisaged by the 1983 CER Agreement that develops common regulatory frameworks. Closer economic integration with Australia may involve some loss of national identity, but it offsets the risk globalisation poses for New Zealand and Australia of becoming a branch line of the world economy. Both countries are better off operating as a single economic entity and CER provides a stronger platform for our economic relations with the wider region.

We have gone some way to harmonise the business environment. The Commerce Amendment Bill, for example, beefs up the Commerce Act giving the Commerce Commission more teeth and bringing New Zealand in line with Australia.

Last year we signed a Memorandum of Understanding on Business Law Coordination with Australia. The MOU promotes similar rules as far as possible between New Zealand and Australia so that business on both sides of the Tasman can operate with greater certainty. There is also some harmonisation on tax being worked on at the moment.

In the area of diplomacy, Australia and New Zealand can, by working together in pursuit of common aims, advance certain foreign objectives more effectively than by operating individually.

We seek similar outcomes in the Pacific, for example. Our response to the Fiji coup was in most respects closely co-ordinated to encourage a return to democracy. We formulated a common policy to impose smart sanctions on the coup leaders, for example, and were at the forefront to bring the Commonwealth into helping to resolve the issues. This type of co-operation will continue in the future.

Differences in Perspective

As our two increasingly multicultural societies continue to evolve, national identities are becoming more distinct. Demographics are changing rapidly. Around 30% of New Zealand's populations will hail from Polynesian origins by 2050.

Australia's middle power aspirations occasionally set it apart from decidedly small-state New Zealand in foreign and trade policies. Australia's close security relationship with the United States will continue to distinguish us in regional eyes and to condition our foreign policies in areas such as disarmament. Our geographic situations also affect our strategic outlooks and foreign policy orientations to a degree.

These issues are likely to undermine the prospect of political union that arises from time to time. If anything, the prospects for union may fade as time goes on and our two societies continue to evolve as more distinguishable cultural, demographic and political entities. While economic integration increasingly impinges on traditional concepts of sovereignty, it need not mean political union.

There are other reasons. Few comparable precedents exist in modern times of an independent entity giving up its sovereignty to become a constituent state within a large federation. It is difficult to see what additional benefits might be delivered by political union that could not be gained by further economic integration.

In the 40-odd years since the Treaty of Rome, for example, Western European nations have still not ceded key sovereign powers to Brussels and each has retained its separate nationhood, international identity and political structures. Neither has there been any serious contemplation by Canada to join the United States.

But the biggest hurdle is likely to be the innate patriotism and pride in our different and distinct image, as popularly reflected in the sporting contests between our two countries.

Conclusion

The relationship between New Zealand and Australia is closer to that of family rather than simply friends and neighbours. We share the same background, traditions and values that lead us to see the world in a similar way.

Differences in size and location and different influences, however, also create some divergence in perspective. In 1901 New Zealand had the chance to join the Commonwealth of Australia. We declined to do so then and I doubt that sentiment in New Zealand has changed a century down the track.

In a globalising world, it makes sense for two countries, which from an international perspective are both relatively small, to work closely together and combine our efforts to promote our shared interests.

There will be ongoing convergence towards a single, integrated Trans Tasman economic market.

There will be reasonable alignment in our regional diplomatic, trade and security policies. We will co-operate militarily to meet contingencies that both countries see as creating risks. We will maintain wide-ranging public policy and political dialogue to add depth to our bilateral understanding.

Cross-Tasman family links, business and trade connections and sporting competition will provide a firm foundation for people-to-people relationships that are the equal of any other between neighbouring countries.

But as the smaller partner in the relationship, New Zealand will continue to relish its independence and right to be different.