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CER Cooperation in the Market for Goods – Australian Perspective

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• NAFTA – entered into force 1 Jan 1966
• Only covered goods
• Positive list approach:
  – initial commitments – 60% of total trade
  – did not address quantitative restrictions
• Efforts to improve it had little success – limited liberalization achieved
ANZCERTA

• Australia New Zealand Closer Economic Relations – Trade Agreement
• Entered into force 1 January 1983
• Negative list – but significant exceptions
• Initial focus goods but:
  – Covered government purchasing (only federal level in Australia)
  – Broad review to be held in 1988
ANZCERTA - New Approach

• Both NAFTA and ANZCERTA – aim to establish a GATT consistent FTA
• But ANZCERTA - important differences:
  – Linked to outward looking approach to trade
  – More extensive coverage & better liberalization dynamic; addressed quantitative restrictions
  – Accepted that adjustment & more efficient use of resources essential for the gains from trade
ANZCERTA – Article 12

• Other trade distorting factors
  – Matters such as standards, technical specifications, testing procedures, domestic labelling
  – Examine scope to harmonize requirements; and
  – Where appropriate encourage bodies to work towards harmonization
  – Consultation when trade distortions
1988 Review - 1

- Acceleration of liberalization: all tariffs and quantitative restrictions on goods eliminated by 1 July 1990
- Anti-dumping removed: competition policy
- Restrictions on use of export incentives and bounties/subsidies
- Harmonization of quarantine administrative procedures
1988 Review - 2

- Major extension in coverage - Trade in Services Protocol: entered into force 1 January 1989
- Initiatives launched to:
  - reduce technical barriers to trade
  - harmonize business law
  - extend government procurement coverage to Australian States
1990 Agreement

- 1990 Agreement on Standards, Accreditation and Quality
  - Eliminate differences in standards
  - Promote common interpretations of standards
  - Promote alignment with international standards
  - Work towards a unified accreditation system
  - Between Australia, New Zealand, and Australian States and Territories
Mutual Recognition

• Trans-Tasman Mutual Recognition Arrangement (TTMRA) – commenced operation in 1998
  – a good legally sold in one country can be sold in the other
  – right to practice an occupation in one country if registered to practice in the other country

• Built on the (Australian) Mutual Recognition Agreement (commenced 1993)
Innovative Approaches - 1

• Challenge to economic integration presented by important role of States and Territories in economic regulation in Australia

• Taking models developed between Australian Commonwealth and State Governments as basis to extend to New Zealand
  – TTMRA and government procurement
  – Continuing New Zealand involvement in policy dialogue and other cooperation between agencies
Innovative Approaches - 2

• Establishment of joint bodies to reduce regulatory impediments to trade
  – Joint food standards developed and administered by Food Standards Australia New Zealand (FSANZ): initial agreement 1996

• Participation of New Zealand Ministers in a range of Australian Ministerial Councils
Single Economic Market

• Adopted as policy objective in 2004
• But reflected reality of post-1988 reform agenda
• 1990 Joint Statement of the two Prime Ministers:
  “We want Australians and New Zealanders each to be able to regard the other economy as an extension of their own”
ANZCERTA – Importance - 1

• Disappointing history of FTAs for most of the post-World War II period
  – Many initiatives to form FTAs
  – Most involved developing economies
  – Little liberalization – most FTAs stalled
  – Governments more focused on import substitution
  – EFTA – more successful but poor on agriculture
ANZCERTA – Importance - 2

• One of the first successful FTAs
• Comprehensive in scope
  – Goods – no exceptions; addressing non-tariff measures
  – Services – an early pioneering agreement
• Innovative initiatives to address non-tariff measures – remains a pioneer in this area
• Broad vision of economic integration
  – E.g. business law harmonization agenda
ANZCERTA’s Context

• Poor economic performance in both economies in 1970s
  – Search for new solutions: recognition of need to be more outward looking (Nareen Declaration)
• 1980s a period of significant economic reform and market opening in both economies
• ANZ active in promoting international trade reform in Uruguay Round of multilateral trade negotiations (e.g. Cairns Group)
ANZCERTA - Unique Features

• ANZCERTA treaty relationship addressed core liberalization commitments
• Also providing framework and impetus for important and pioneering initiatives but these often not formally incorporated in the treaty – E.g. TTMRA
• Limited formal institutions – but extensive dialogue and cooperation across government
ANZCERTA – Why Successful?

• Strong political and community relationships
• Historical/cultural affinities
• Learning from NAFTA experience
  – In many ways NAFTA was anti-adjustment
• Broader economic reform agendas in both countries in 1980s
  – Key role of 1988 review and its follow-up
• Continuous evolution and innovation
Chart 1: Import Clearances into Australia from New Zealand (A$ value), 1997-2014

- **MFN Zero Tariff**
- **Bilateral FTA**
- **AANZFTA Tariffs**
- **Domestic Program**
- **MFN Tariff Higher than Zero**

The chart depicts the evolution of import clearances from New Zealand to Australia from 1997 to 2014, showing the impact of various tariff agreements on trade volumes.
### Table 1: Value of Import Clearances into Australia from New Zealand, 2009 - 2014

<table>
<thead>
<tr>
<th></th>
<th>2009</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
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</thead>
<tbody>
<tr>
<td>MFN Zero Tariff</td>
<td>3,088,851,885</td>
<td>3,556,285,903</td>
<td>3,795,949,265</td>
<td>3,484,178,753</td>
<td>3,573,627,246</td>
<td>4,087,855,651</td>
</tr>
<tr>
<td>Bilateral FTA</td>
<td>3,326,397,259</td>
<td>3,479,800,574</td>
<td>3,460,526,052</td>
<td>3,330,679,040</td>
<td>3,420,991,693</td>
<td>3,452,441,115</td>
</tr>
<tr>
<td>AANZFTA Tariffs</td>
<td></td>
<td>7,176,159</td>
<td>4,275,214</td>
<td>93,163,130</td>
<td>92,313,738</td>
<td>86,814,285</td>
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<tr>
<td>Domestic Program</td>
<td>139,436,410</td>
<td>112,084,915</td>
<td>276,113,782</td>
<td>265,729,286</td>
<td>203,167,629</td>
<td>130,499,900</td>
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<tr>
<td>MFN Tariff Higher than Zero</td>
<td>36,690,145</td>
<td>32,885,794</td>
<td>41,329,095</td>
<td>65,511,815</td>
<td>68,021,140</td>
<td>85,846,606</td>
</tr>
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### Table 2: Percentage of Import Clearances into Australia from New Zealand, 2009 - 2014

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<thead>
<tr>
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<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>MFN Zero - Duty-Free</td>
<td>46.9%</td>
<td>49.5%</td>
<td>50.1%</td>
<td>48.1%</td>
<td>48.6%</td>
<td>52.1%</td>
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<tr>
<td>Bilateral FTA</td>
<td>50.5%</td>
<td>48.4%</td>
<td>45.7%</td>
<td>46.0%</td>
<td>46.5%</td>
<td>44.0%</td>
</tr>
<tr>
<td>AANZFTA Tariffs</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
<tr>
<td>Domestic Program</td>
<td>2.1%</td>
<td>1.6%</td>
<td>3.6%</td>
<td>3.7%</td>
<td>2.8%</td>
<td>1.7%</td>
</tr>
<tr>
<td>MFN Higher than Zero - Dutiable</td>
<td>0.6%</td>
<td>0.5%</td>
<td>0.5%</td>
<td>0.9%</td>
<td>0.9%</td>
<td>1.1%</td>
</tr>
</tbody>
</table>
ANZCERTA and Today’s Trade Challenges

• ANZCERTA agenda retains considerable relevance:
  – continued integration and SEM objective – a source of greater strength in each economy
  – significance of ANZCERTA experience and its innovations makes it a source of fertile ideas of wider relevance internationally
  – basis for ANZ policy dialogue and cooperation in regional and international forums
CER-ASEAN Integration Partnership Forum

Economic integration and the standards and conformance infrastructure: challenges and opportunities