

David Taylor – introductory remarks, IPF 2

Thank you for those opening comments, Ramon Kabitng. It is a pleasure for New Zealand and Australia to be co-hosting the second CER-ASEAN Integration Partnership Forum with the Philippines. My name is David Taylor and I am New Zealand's Ambassador to ASEAN and also Ambassador to Indonesia.

I acknowledge the presence of many senior officials from ASEAN at this event and express appreciation for your participation in today's event. We are thrilled to see so many people here at the second IPF meeting. It is also a great pleasure to have Ramon Kabitng and Professor Kimura from the Economic Research Institute for Asia (ERIA) here today.

I acknowledge also Australian Ambassador to the Philippines, Bill Twidell, and New Zealand Ambassador Reuben Levermore; speakers from Australia and New Zealand; and wish to thank those involved in making arrangements for today's event.

Some of you will have been to the first seminar of the CER-ASEAN Integration Partnership Forum last June in Kuala Lumpur. We appreciate the time that you, and indeed all of our ASEAN friends here, are taking to explore with us the experience and benefits and challenges of integration.

Why the IPF?

The IPF was born from a desire by New Zealand and Australia to deepen and broaden our relationship with ASEAN.

ASEAN is a valued partner in Australia's and New Zealand's engagement with the wider Asia-Pacific region. We were among ASEAN's first dialogue partners. We have stood by our friends in ASEAN through good times and through more difficult ones.

A vibrant, dynamic, and seamlessly integrated ASEAN is as good for Australia and New Zealand as it is for the countries of Southeast Asia. We are already closely linked but will become more so through the ASEAN Australia New Zealand Free Trade Agreement (AANZFTA) and other connections. Having a conversation about the challenges and benefits of regional connectivity seemed to Australia and New Zealand to be worthwhile. We are aware that ASEAN is facing a critical transition as it moves towards the ASEAN Economic Community in 2015. Australia and New Zealand have been on their own connectivity journey through CER – Closer Economic Relations. We thought it would be helpful to share our unvarnished CER experiences with our Southeast Asian friends in the hope that this may provide some insights and creative solutions for you – or at least food for thought.

New Zealand and Australia have spent more than thirty years seriously attempting economic integration. We have been tested in that process, and we have learned a lot.

We have tried to come up with innovative ways to overcome blockages and problems. We have fallen short of our goals at times, but we have also had some big successes.

In a small way, we have tried to create our own “Economic Community”.

I say in a small way, because CER has some pretty fundamental differences in this exercise that ASEAN doesn’t have.

ASEAN has 10 members where CER has only two. New Zealand and Australia are probably about as close as two countries can be in terms of language, culture, politics, shared history, shared families and shared economic approaches – while ASEAN has to grapple with a myriad of languages, cultures and stages of development, 22 times as many people and a GDP nearly twice as large.¹ And we have taken thirty years, while ASEAN has set itself an ambitious timetable of 2015.

While Australia and New Zealand are similar in so many ways, the time frame for the CER process shows that even for these two countries integration was a challenging exercise. There were ten participants involved (nine on the Australian side and New Zealand). This stuff is not easy. But while there are differences between ASEAN’s journey and that for CER, there are some significant similarities too.

ASEAN and CER share an easy, pragmatic and informal style. By contrast, the EU and others have taken a highly institutionalised and formalised approach.

We are both trying to achieve high-quality and high-ambition economic integration.

So that’s a great starting point.

And we both have an interest in broader regional economic integration too. Greater connectedness between smaller trading blocs can lead to opportunities for wider integration. CER and the work on the ASEAN Economic Community have contributed to making the ASEAN-Australia-New Zealand FTA possible.

AANZFTA, in turn, is a benchmark for wider ASEAN-centred regional economic integration. ASEAN has come up with a smart initiative to take the regional agenda forward in the shape of the RCEP, but there will still be challenges – including in the services sector.

And that brings us to today’s seminar.

Why ‘trade in services’?

We have an illustrious line-up of speakers here today from Australia and New Zealand to explore the CER approach to services trade.

¹ Provisional figures. Sources: ASEAN Secretariat, World Bank Development Indicators

We decided to focus on services trade for several reasons.

First, freeing up services trade is a major preoccupation for ASEAN – understandably so. The most recent Scorecard for the ASEAN Economic Community reports that Member States have already committed to liberalisation in 65 services sub-sectors, with work underway on more sub-sectors and higher thresholds for liberalisation. That’s a big exercise.

There will be obvious benefits, especially for services exporters. But the benefits flow through to the wider economy. Greater openness leads to greater specialisation, productivity, choice, and greater efficiencies, for both goods and services.

Intra-regional goods and services trade is rising as a share of total ASEAN trade, approaching 30 percent². Education, tourism and commercial services are particularly prominent³. So it is important to get the intra-ASEAN trading frameworks right. And robust regional settings will equip ASEAN well for bilateral, plurilateral and even multilateral negotiations in the future.

So that’s one good reason to look at services.

A second important reason is the growing role of services trade as the engine of the global economy – and ASEAN’s expected role as a global powerhouse in the coming century.

While ASEAN growth forecasts are positive, the outlook is highly uncertain – you have only to look at the current fragile situation in Europe to be reminded of that. ASEAN is a major regional hub of global production networks and supply chains. Services value chains, for example in education, IT, business consulting and financial services, have exciting potential for sustained economic development for the region in their own right and as facilitators of merchandise trade. So services merits some sustained attention.

A third important reason to look at services today is the good story that CER has to tell about this crucial sector. Highly experienced trade negotiator and business leader Charles Finny, and respected economist Professor Christopher Findlay, will explore CER’s approach to services trade.

The Australia-New Zealand services trade environment is one of the most open and sophisticated in the world. We have taken a negative list approach and gone beyond that into behind-the-border constraints. The open policy settings have provided some exciting opportunities for Australasian companies regionally and globally. Beca Executive Director David Carter will speak to you about the experiences of a large engineering consultancy in the CER environment. David’s company now spans both

² Wignaraja presentation, referencing ASEAN Secretariat

³ ASEAN Secretariat

New Zealand, Australia and ASEAN thus mirroring what we have achieved in the AANZFTA context.

A truly open services market requires a certain freedom of movement for services providers. Often services trade barriers are “domestic” in nature, such as regulatory requirements for regulated occupations like architecture, plumbing or nursing.

As you will hear from senior policy-maker Peter Mumford, academic and former high-level government official Annmarie Elijah, and sectoral representative John McBride later this morning, CER has tried to simplify the movement of skilled workers with the Trans-Tasman Mutual Recognition Arrangement. The TTMRA has helped to reduce compliance costs for businesses, increased regulatory efficiency and enhanced the competitiveness of both economies. And other approaches, such as harmonisation, have also been used, and been useful, in some sectors.

Australia and New Zealand have a unique set of historical arrangements that allow an unprecedented freedom for people moving and working between the two countries. Certainly, that cannot easily be duplicated in Southeast Asia. But as ASEAN works to operationalise its own MRAs, the CER experience may have something useful to offer.

So you will hear a lot this morning about the specifics of CER services trade.

Why integrate?

I think it is also worth reflecting on some of the overarching lessons we have drawn from the last thirty years of CER and the Single Economic Market, which we explored in the first IPF seminar and which are just as relevant when it comes to services trade reform.

We talked about the importance of having ***champions for the process***: strong, visionary and brave political leadership is vital. Support and engagement among officials, business and the academic work are critical to drive the policy and enable its implementation.

We talked about the need for ***pragmatic approaches***, and to avoid a monolithic or rigid framework. CER has found that trying to squeeze everything into the same mold is neither necessary nor very effective. In fact, we have found that deep integration can be achieved without resorting to excessive institutions or prescriptive models.

We also explored an important point, one that is a touchstone for domestic anxieties – namely that ***integration can be achieved without (necessarily) sacrificing either sovereignty or national identity***. New Zealand and Australia are still both strong, distinct nation states – although we are stronger and more prosperous when working together.

And integration can also be ***achieved without sacrificing domestic talent***. The CER experience has been that a more dynamic single market can actually strengthen domestic companies and workforces, not crowd them out. Diversity in the workforce is good for business and can enhance the attractiveness of countries as a destination for FDI.

We talked about the *virtuous circle of reducing barriers at the border and domestic reforms*. Lowering tariffs and other barriers can take you so far, but eventually the arena has to shift into areas that might be considered “domestic” policy. Trade policy, competitiveness, productivity and economic reform are closely intertwined. New Zealand and Australia now work closely together on many regulatory reform issues – for some relevant policy areas, New Zealand Ministers participate in Australian Ministerial Councils and even, on occasion, the all-powerful Council of Australian Governments.

We talked about *the important role that business has to play in driving the policy agenda* and keeping governments on their toes. But business also has a responsibility to keep engaging with government, and to take best advantage of the enhanced trading environments that their governments manage to negotiate.

We talked finally about the *benefits* of all of this. Obviously increased trade within the region is the most prominent outcome – but we have also found that opening up to a key partner or partners actually enhances our own ability to engage on the world stage and be competitive globally.

As I wrap-up I encourage ASEAN friends here today to ask the hard questions during the Forum and make the most of the presence of CER experts. I also encourage participants to look ahead to what might be most useful for the next IPF. This IPF process delivers best when it delivers to what ASEAN wants, needs and values.