

ASEAN-CER Integration Partnership Forum

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Revitalising the Single Economic Market: the transition from 'at the border' to 'behind the border'

Presentation by Alison Duncan, Counsellor, Australian High Commission, Wellington

- . I'd like to talk today about how the Single Economic Market has evolved over the last two years
- . As you know, Australia and NZ have thoroughly plucked the low-hanging fruit of the economic integration tree over the last four decades
 - But the fact is that there are still barriers to doing business across the Tasman
 - : doing business in Adelaide is NOT as easy as doing business in Auckland, and vice versa
 - There is still more to do
 - But before I get into what we're doing, I'd like to talk a bit about the WHY

Why?

- . When we think about the benefits of trade liberalisation, we tend to think about large corporations or industry agglomerations with the capability to take advantage of FTAs quickly and on a large scale
 - But what of our Small and Medium Enterprises?
- . SMEs employ around 50 per cent of Australia's workforce. Just as in your own countries, these enterprises are the backbone of our economy.

- . We know that when SMEs export they tend to outperform non-exporters in terms of growth and profit
 - That means GDP growth and a healthier current account
 - As well as higher wages and salaries
- . But for many SMEs, that first leap into exporting is the hardest one to take
- . A key focus for the new generation of SEM initiatives is to improve the ease of doing business and collaboration across the Tasman for our SMEs
- . Already, the NZ market has been the most common first foray into exporting for Australian SMEs
 - 81% of Australian SME exporters provide goods or services to NZ customers
 - And once established across the Tasman, many of these businesses set their sights further afield
 - Most establish collaboration and value chains along the way

What?

- . So that brings me to some examples of what we're actually doing

Single business identifier

- . One example of an initiative we're pursuing to reduce transaction costs and improve efficiencies for SME exporters is the introduction of a single business identifier
 - For small firms seeking to establish a market presence, one of their first acts is often to set up an internet presence in that market.

- But in order to purchase a domain name in Australia, it's necessary to have an Australian Business Number which, in turn, requires the existence of some kind of business entity in Australia.
- Lots of firms that will do this for you, but of course it costs money
- PWC charges NZ businesses around \$4500 and it's a slow process
- This has been one of the major gripes I've heard about from SMEs in the course of my business outreach around NZ
- So, Australian and NZ agencies are currently working on mutual recognition of business identifiers
 - : This requires regulatory change, but no change to legislation
 - : And it's on track to be implemented by the middle of this year
- So that's one less cost and delay that businesses in both countries will have to worry about when seeking to establish a presence across the Tasman.

Secure trade lanes

- . We're also working on a number of initiatives to improve the speed and efficiency of moving products across the border
- . Part of the impetus for this is to improve the ability of Australian and NZ companies to integrate their supply chains
- . During the course of our business outreach, we came across a company based in Tauranga, New Zealand which makes 3D-printed titanium parts for everything you can imagine
 - from replacement hips for cats and dogs to rocket engines
- . This company has a contract to supply bicycle parts to a bespoke bicycle manufacturer in Melbourne which charges a very large amount of money

to create hand crafted, top of the range bikes for customers, primarily in the US

- As part of the service that goes with the price tag, the manufacturer guarantees that the bicycle will be delivered within 28 days of ordering
- Given the tight time-frame for delivery of the finished product, neither company can afford any delay in getting the parts from Tauranga to Melbourne
- So the company asked us what we could do to help expedite customs clearance processes and reduce red tape
- Through our secure trade lane initiative, our border agencies are working on this now, with the aim of reducing paperwork and speeding up processing to ensure that value chains are sustainable.

Australia New Zealand Infrastructure Pipeline

- . A final example is related to our shared goal of attracting investment from third countries
- . Like the rest of the world, Australia and NZ are keen to use foreign money to upgrade our domestic infrastructure
 - But we are 10 fragmented jurisdictions at the other end of the world
 - : offering scattered projects in the 10s and 100s of millions rather than the billions that major institutional investors and construction firms are looking for
 - So we've created a joint promotional tool, the Australian New Zealand Infrastructure Pipeline
 - : ANZIP is an online portal for information on potential infrastructure projects from across central government,

Australia's states and territories, local government and the private sector

- : The idea is to provide greater scale, visibility and business certainty of upcoming investment opportunities across the two countries
- : Its already received high praise from our trade envoys in Hong Kong, Seoul and Ottawa for its effectiveness in showcasing our offering to interlocutors in those markets
- The next step for ANZIP is to create a more seamless infrastructure market across our two countries, starting with mutual recognition of pre-qualification criteria
 - : This isn't an easy task, particularly given Australia's eight state and territory jurisdictions each have different criteria
 - : But our leaders have committed to it because they see the value in presenting a more seamless market with NZ for foreign investors
 - : And, in fact, this is an example of one of the great benefits for Australia of pursuing SEM initiatives – it gives us the impetus for domestic reform that would otherwise be very hard to achieve.

How?

- . I should probably have admitted up front when talking about why we were revitalising the SEM agenda that the initial reason was because the Trade Ministers told us to
 - But two years ago, when we were casting about for how to make that happen, there weren't many viable initiatives on the table
- . Like I said earlier, we had already picked the low hanging fruit

- And there's always a balance to be struck between the cost and the pay off when it comes to addressing niggling barriers to trade
- . Part of the problem was that we weren't asking business what they wanted, or perhaps business just wasn't doing a good enough job of telling us what they wanted
- . The evolution in the way business and government have interacted has been key in taking forward the SEM
 - Unlike most of our other major trading relationships, there is no Australia NZ Business Chamber
 - : So we don't have a well-resourced and membership-based organisation to lobby governments
 - There is an Australia New Zealand Leadership Forum, which was set up in 2004, but it was originally an annual meeting of business leaders with no independent policy support or inter-sessional activity
 - : For many years, the ANZLF got stuck in a cycle of rehashing the same complaints that one government or the other never had any intention of addressing
 - After a few years, MFAT started providing modest funding for a small Secretariat, matched by BusinessNZ
 - : This was important because, no matter how energetic and committed a CEO you have to chair forums like this, you can't expect them to do everything on a voluntary basis
 - The Australian Government's recent decision to fund an Australian Secretariat will help to bring more balance to the ANZLF's work
 - : So that we can ensure that the initiatives ANZLF pursues have support from both sides

- . Harnessing the ANZLF and the broader business community has helped us to identify which SEM initiatives that would result in the biggest bang for our buck
- . We've done a lot of outreach to understand the needs and hurdles faced by SMEs
 - this is time consuming but worthwhile
 - and, once you start getting a few runs on the board, like we're doing for our bicycle parts manufacturer in Tauranga, word gets around and businesses are more likely to come to you with their problems and their ideas, rather than just complain about you behind your back
- . Business has also helped to get our bureaucracies moving on the SEM
 - Because when it comes to implementing down-in-the-weeds initiatives, you need more than just the Trade Ministers on board
 - : all the relevant ministers, as well as their officials, need to be convinced and working towards making things happen
 - We've spent a lot of time working with business to help them understand where and how they should push government
 - Like having the ANZLF co-chairs brief PMs and Treasurers at the recent annual Leaders' meeting
 - For PMs to hear the same messages from business and from officials on both sides without any caveats is a very powerful thing.

Key take-outs

- . Set goals based on need
 - Find out what will make a difference to business
- . Do what's practical

- Don't waste your time arguing for something the other country is not interested in, regardless of the merits of your arguments
- Work on the initiatives that both sides agree would make a practical difference
- . Establish timeframes
 - there's nothing like an annual Leaders' meeting to encourage officials to move forward on initiatives
 - it's also been helpful for us to engineer ministerial meetings from the various sectors to keep up the pace and ensure the relevant ministries are on board
- . But don't overwhelm initiatives in institutions or systems that allow form to overtake function
 - Or you'll just spend all your time writing briefing
- . And finally, use business as a source of information and as an advocate
 - Sometimes when political will is wanting, leaders will take cues from business that they might not take from the bureaucracy.

Thank you!