

THE TRANS-TASMAN ECONOMIC RELATIONSHIP

What is CER?

The Closer Economic Relationship (CER) with Australia is New Zealand's first free trade agreement, having entered into force on 1 January 1983. This Agreement was an ambitious undertaking, but progress was rapid.

By 1990 free trade in goods and nearly all services had been achieved. Since then, both countries have moved progressively towards much deeper cooperation in policies, laws and regulatory regimes through processes of coordination, mutual recognition and harmonisation.

CER increased the effective size of the New Zealand domestic market six-fold and gave Australia access to another domestic market about the size of Queensland.

This bilateral Trans-Tasman trade agreement has always been a trendsetter in the realm of bilateral trade relationships, and has been described by the World Trade Organisation (WTO) as "the world's most comprehensive, effective and mutually compatible free trade agreement".

What has CER achieved?

Bilateral trade has grown rapidly under CER, with trade in goods averaging 10 percent growth per annum between 1983 and 2003.

Australia is New Zealand's principal trading partner, accounting for 20 percent of exports and 22 percent of total imports.

Australia is New Zealand's first ranked export market while New Zealand is now Australia's fifth largest export market.

CER today

After 23 years, the Australia-New Zealand Closer Economic Relationship Trade Agreement continues to break new ground in building a common market.

CER is continuously reviewed and the scope of the Agreement extended through supporting bilateral arrangements, which include:

- The CER Protocol on Trade in Services, signed in 1988: Bilateral investment flows have increased under this Protocol. New Zealand is currently the sixth largest source of overall foreign investment in Australia, and Australia is the largest investor in New Zealand. In recent years, there has been significant new commercial investment from New Zealand in Australia's dairy sector, and from Australia in New Zealand's transport and banking sectors.
- Under the Trans-Tasman Travel Arrangement New Zealand and Australian citizens may freely enter, reside and work in each other's countries.
- The Trans-Tasman Mutual Recognition Arrangement (TTMRA) entered into force in 1998. Under the TTMRA, most goods sold in one country can be sold in the other without having to meet any further sales-related requirements. People registered to practise an occupation in one country can register to practise it in the other. This Arrangement enables businesses to manufacture to only one standard for the trans-Tasman market, provides greater consumer choice and supports an open trans-Tasman employment market.
- An agreement between the New Zealand and Australian governments concerning a Joint Food Standards system entered into force in 1996. This agreement established a

joint Australia New Zealand Food Authority (now Food Standards Australia and New Zealand) and allows New Zealand to influence the setting of food standards in our most significant market. A joint Food Code came into effect in 2002.

- More liberal Rules of Origin were announced in February 2006. These rules determine whether or not a good qualifies for preferential entry into Australia or New Zealand under CER. These new rules shift the focus away from the origin of inputs to a change in tariff classification between any imported goods from third countries and the completed good that is subsequently exported across the Tasman. These rules are expected to enter into force in January 2007 and will give manufacturers a greater choice of materials and help reduce compliance costs.
- An undertaking to consider adding an investment component to CER to reduce barriers to trans-Tasman capital flows.
- In 2003, an agreement was signed to establish a joint Australia-New Zealand Therapeutics Product Agency to regulate therapeutic products in both countries.

For a glossary of trade associated words please go to:
http://www.wto.org/english/thewto_e/glossary_e/glossary_e.htm

The future for CER: a Single Economic Market

CER is a remarkable success. There are still some market issues to resolve for some sectors, but looking forward CER should continue as a dynamic agreement, adapting to the changing requirements of business in an increasingly inter-dependent world. The policy focus is on identifying, developing and implementing further initiatives to create a seamless trans-Tasman business environment – a Single Economic Market. Advances in this area include:

- The establishment of the Trans-Tasman Council for Banking Supervision to enhance cooperation in trans-Tasman banking regulation.
- The establishment of the Trans-Tasman Accounting Standards Advisory Group to advise on ways to improve efficiency by aiming for a single set of standards.



To keep up to date with developments visit www.mfat.govt.nz/tradeagreements/australia/australiaindex.html

For any other enquiries, please contact the Trade Policy Liaison Unit at tplu@mfat.govt.nz