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Closer Economic Relations - CER Australia New Zealand

Closer Economic Relations (CER)

The **Closer Economic Relations (CER) Agreement** between New Zealand and Australia is one of the most comprehensive, effective and WTO-compatible free trade agreements in the world.

Since 1983, trans-Tasman merchandise trade has increased by 10.6 percent annually. For the whole of that period, New Zealand has been either Australia's largest or second largest market for elaborately transformed manufactures. Total bilateral trade now amounts to over AUD16 billion and New Zealand is Australia's fifth-largest trading partner. Australia is New Zealand's largest foreign investor, with investments worth more than AUD21 billion. New Zealand is Australia's ninth largest investor, with AUD12 billion.

CER followed a series of preferential bilateral trade agreements between New Zealand and Australia, including the 1965 **New Zealand Australia Free Trade Agreement (NAFTA)**. By the late 1970s, NAFTA and its predecessors had resulted in the removal of tariffs and quantitative restrictions on 80 percent of trans-Tasman trade. However, further advances under NAFTA were limited because it lacked a mechanism for compulsorily removing the remaining restrictions, including New Zealand's import licensing restrictions. In many cases these effectively negated the benefits derived from eliminating tariffs.

In March 1980 the concept of "closer economic relations" between New Zealand and Australia was introduced in a joint

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Prime Ministerial communiqué. Both countries agreed that an appropriately structured closer economic relationship would be mutually beneficial and enhance each country's wider international competitiveness.

On 1 January 1983 the **Australia-New Zealand Closer Economic Relations Trade Agreement (ANZCERTA)**, more commonly known as Closer Economic Relations (CER), took effect. A "Heads of Agreement" on CER was actually signed on 14 December 1982, but a transitional period for some industries meant the full agreement was not concluded until 28 March 1983. CER initially provided for the establishment of free trade in goods (those meeting the CER rules of origin) between Australia and New Zealand. Comprehensive reviews were planned for 1988 and 1992.

The first general review in 1988 affirmed the conclusion that most had already arrived at – CER was a great success. This review resulted in the signing of three Protocols to the CER Agreement.

Firstly, the success thus far of CER prompted acceleration in the timetable of events. In the **Protocol on Acceleration of Free Trade in Goods**, it was agreed that all tariffs and quantitative restrictions on trade would be removed by 1990, a full five years ahead of schedule. **Since 1 July 1990, all goods meeting the CER rules of origin have been free of tariffs, tariff quotas and quantitative import restrictions.** Additionally, the two countries agreed not to pay production bounties or similar measures on goods exported to the other country. The governments also agreed not to adopt industry-specific financial measures which would have adverse effects on competition between industries in the two countries. All performance-based export incentives on trans-Tasman trade were eliminated.

Secondly, the 1988 review deepened the Agreement by substantially harmonising quarantine procedures between the two countries in the **Protocol on Harmonisation of Quarantine Administrative Procedures**. This protocol sought to improve the speed and efficiency of the flow of goods between the two countries.

Thirdly, this review introduced services into CER with the **Protocol on Trade in Services**, under which the two governments agreed to treat the providers of services from the other country the same as providers from their own. The Protocol covered all services traded across the Tasman, except those specifically excluded.

In addition to these three major Protocols, agreements have been reached on industry assistance, technical barriers to trade, government purchasing, business-law co-ordination, export restrictions and harmonisation of customs policies and procedures.

At a meeting in July 1990 to mark the achievement of full free trade in goods, the two Prime Ministers outlined a process of consultation with business interests to set the agenda for the next review in 1992.

The 1992 review looked at bringing New Zealand into the Australian mutual recognition scheme covering product standards and the registration of occupations. Other outcomes from the review included updating the list of services exempted from the **Protocol on Trade in Services**, and amendment and clarification on the **CER Rules of Origin (ROO's)**. Business law co-ordination was further examined, with a view towards future changes.

At this time, the two governments agreed to institute annual trade and economic talks at senior officials' level, to precede the annual Trade Ministers' meetings. Another formal review of CER was planned for 1995.

The 1995 review focused on advancing "third generation" trade facilitation issues including eliminating remaining regulatory impediments to trade. Significant progress was made on harmonisation of food standards and a trans-Tasman mutual recognition arrangement. A full review of the **Protocol on Trade in Services** was completed. This review had a particular focus on those services specifically exempt from the Protocol (known as inscribed services), with a view to liberalising further trade. As a result, Australia amended its inscriptions for postal services and telecommunications, while New Zealand amended its inscriptions for aviation and shipping.

Also at this time, the first meeting of the **Joint Australia/New Zealand Working Group on ROO's** occurred and progress was made on talks for potential cooperation between the ASEAN Free Trade Area (AFTA) and CER.

After the three formal reviews of CER (1988, 1992 and 1995) the Australian and New Zealand governments decided that subsequent reviews of CER would take place as part of the annual meetings Trade Ministers.

In July 1996 New Zealand and Australia signed the **Trans-Tasman Mutual Recognition Arrangement (TTMRA)**, which facilitates the free flow of goods and skilled personnel between New Zealand and Australia. The intention of the arrangement, which came into effect on 1 May 1998, was that any goods that could be sold in New Zealand could also be sold in Australia and vice versa, regardless of whether they met mandatory standards of the importing country relating to the goods or their packaging and labelling, and without the need for further testing or other conformance assessment requirements. Similarly, people registered to practise an occupation in one country were able to seek automatic registration to practise an equivalent occupation in the other, without the need for further testing or checking of qualifications. The TTMRA was supported by the **Trans-Tasman Travel Arrangement (TTTA)**, a long-standing arrangement allowing for the free movement of people between the two countries.

An **Agreement on Joint Food Standards** was signed in 1996 and with it the formal launching of the **Australia New Zealand Food Authority (ANZFA)**. Additionally, an **Arrangement on Food Inspection Measures (AFIM)** was introduced to reduce border inspection requirements for food products originating in either Australia or New Zealand. 1996 also saw the signing of an arrangement establishing a **Single Aviation Market (SAM)**, and Australia and New Zealand signed a new co-operative arrangement for mutual assistance on customs matters, building on arrangements made in 1988.

New Zealand became a full member of **Australia's Government Procurement Agreement in 1997**, following on from agreements made in 1988. This enabled New Zealand suppliers of goods and services to bid on an equal basis with suppliers across the Tasman for Australian Commonwealth and state government purchases and vice versa.

In 2002 the food standards agreement was amended, with ANZFA renamed **Food Standards Australia New Zealand (FSANZ)**, and the joint food standards code took effect. Also in 2002, the **Open Skies Agreement** was signed. The treaty formalised a memo of understanding signed in November 2000 and encompassed the SAM arrangement of 1996. The Agreement was the culmination of years of work aimed at creating a single aviation market between Australia and New

Zealand. It removed the last substantive aviation restrictions between Australia and New Zealand, allowing airlines virtually unrestricted access to, within, and beyond the territory of the other party.

CER has provided economic and social benefits to both New Zealand and Australia. Both economies have grown and become more efficient and internationally competitive. This growth has occurred in conjunction with the creation of more jobs, and consumer benefits of lower prices and wider choices.

Related weblinks -

- A Closer Look at 20 Years of Closer Economic Relations between Australia and New Zealand.
http://www.dfat.gov.au/geo/new_zealand/anz_cer_20years/index.html
(http://www.dfat.gov.au/geo/new_zealand/anz_cer_20years/index.html)
- Examine the CER Agreement and other related documents.
http://www.dfat.gov.au/geo/new_zealand/anz_cer/anz_cer.html
(http://www.dfat.gov.au/geo/new_zealand/anz_cer/anz_cer.html)
- Background on CER by the New Zealand Ministry of Foreign Affairs and Trade.
<http://www.mfat.govt.nz/foreign/regions/australia/cer2003/cerbackgrounder.html>
(<http://www.mfat.govt.nz/foreign/regions/australia/cer2003/cerbackgrounder.html>)

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