

Trans-Tasman market integration, political salience and transparency

I believe that as the single market develops, we must be prepared for pressure to harmonise areas of policy-making which we now regard as sacrosanct areas of national sovereignty. This sets for us the task of identifying areas for review, reform and integration. We obviously do not wish at this stage to make judgments about the extent to which we could, let alone should, bring such policies into alignment with each other. But we ought to have a process within which we and our publics can consider such issues.

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On the agenda I have no fixed views. It really comes in two related parts: the broad relationship (including institutional relationships); and the CER 1992 Review. On the broad relationship I would see no need to be too precise at this stage other than to fence off possibilities that encompass or get too close to federation. On the 1992 Review, I think we would want to have officials talk it through issue by issue so that we could each decide in broad terms, before July, what we are prepared to have on the table for analysis and debate.

Letter New Zealand Prime Minister Sir Geoffrey Palmer to Australian Prime Minister Mr Bob Hawke, April 1990

Prime Minister Geoffrey Palmer's comments to his Australian counterpart reveal two, related views about how the trans-Tasman relationship was evolving. On the one hand, the agenda of economic integration then—as now—was an 'elite-driven' process, dominated by government officials and politicians and tolerated by a 'permissive consensus' in the public. On the other hand, Palmer recognized that market integration is a political act that touches on issues of sovereignty. At some point, such issues are likely to become electorally salient. Palmer suggested putting in place 'a process' within which Australian and New Zealand policy makers '*and [their] publics can consider such issues [emphasis added].*' This submission explains and reinforces this exhortation with experiences from the last two decades of trans-Tasman and European integration.

This submission begins with a proposition that is often neglected, and sometimes disputed, by practitioners: trans-Tasman economic integration is a political process. The balance of this document proceeds as follows. First, it explains the fundamentally political nature of market integration. It demonstrates how market integration has become electorally salient in the European context and suggests how it may become so in the trans-Tasman relationship. Finally, it prescribes, in general terms, how policy makers might prepare for these developments, illustrating where positive steps have already taken place.

The politics of creating markets

Creation of a trans-Tasman Single Economic Market, like creation of any market, has distributional consequences and it affects people's values. This makes the act of market creation a political one. The distributional consequences of market integration and resistance to them are visible in the history of trans-Tasman market integration. In the late-1970s New Zealand manufacturers and Australian dairy farmers understood the distributional consequences of unrestricted movement of goods across the Tasman and, accordingly, resisted ANZCERTA.

Market creation is also political because it affects social values. The impact of markets on social values is a celebrated theme in the social sciences. Perhaps most famously, the Austrian economist Karl Polanyi claimed that marketization and the 'commodification' of land, people and money were *The Great Transformation: The political and economic origins of our time*.¹ Polanyi describes how creation of markets for labour required British society to overturn Poor Law practices that embedded Christian values about communal responsibility for individual welfare. Similarly, Polanyi claimed this *Great Transformation* destroyed traditional notions about land tenure embedded in laws of *primogeniture* and *entail* as well as religious proscriptions against *usury*. However, underlying Polanyi's (Smith's and Weber's) analysis is a recognition that this process of marketization must remain incomplete. This, Polanyi observed, is because even modern societies cannot survive without the bonds of common values. Liberty and equality cannot exist without fraternity. Consequently, Polanyi observed that the movement toward marketization provoked, spontaneously, a counter-movement that was the origin of Marxism, Fascism, nationalism and the modern welfare state. Polanyi referred to this as a 'double movement' in which the extension of the market organization of society was accompanied by efforts to cushion, resist or reverse its impact. Various movements within societies defended their moral cohesion against the amorality of market organization. From Polanyi's perspective the most profound political events of the 19th and 20th Centuries had their origins in the tension between moral order and markets.

¹ Karl Polanyi, *The Great Transformation: The political and economic origins of our time*. Boston: Beacon Press, 1957.

Politicization of market integration

Polanyi's double movement is visible in contemporary efforts to integrate markets across national borders. In particular, these movements are evident in developments in European integration over the past two decades. Since the mid- to late-1990s resistance to integration has grown inside European societies. This resistance has taken form in rejection of treaties in referendums by French, Dutch and Irish voters as well as increased support for 'Eurosceptic' parties on the extreme right and left throughout Europe. This resistance reflects the tension between trans-national marketization and the preservation of value systems embedded in national communities.

One explanation makes this resistance a result of the mismatch between *European* policies and *national* politics [Marks and Hooghe 2008].² For most of its history elites have managed the distributive consequences without European market integration becoming a salient issue among European electorates. This doesn't mean that the distributive consequences were insignificant (inside or outside of Europe—e.g., CAP!). Over the past two decades, however, these distributive consequences have been joined and aggravated by issues that are connected to European integration and that affect people's sense of *national* identity. For example, attempts to integrate European labour markets have shifted control over some issues of immigration, citizenship, access to welfare and labour markets from member states toward the EU. As a consequence, European integration has become linked directly to issues that challenge the some people's notions about who can be a member of the national community and who can participate in the welfare state and labour markets. Integration threatens values about the nature of the national community and who can be a member. Observers of electoral behaviour have demonstrated that issues linked to voters' sense of identity have a large potential for electoral salience. In Europe entrepreneurial political parties from the extreme right (e.g. French National Front) and the extreme left (e.g. 'The Left' in Germany) have exploited market integration and loss of national sovereignty to win votes.

Trans-Tasman integration has not duplicated this development, yet. For the time being, discussion of trans-Tasman integration remains confined to elite arenas. It is also unlikely that politicization of market integration will follow exactly the European pattern. To some degree, history may have inoculated Australian and New Zealand electorates against the kind of appeals European far right and far left parties have built on the movement of people. Campaigns by New Zealand First and debates about asylum seekers in Australia demonstrate that electorates on both sides of the Tasman are susceptible to electoral appeals that cast immigrants as a threat. However, because free movement of people across the Tasman was entrenched before either country became a nation state, voters do not view the presence of citizens from the other country as a threat, although there have been attempts to portray them as such.³ For the time being, Australian and New Zealand electorates appear content to leave intact the 'permissive consensus' that surrounds trans-Tasman market integration.

For several reasons it would be unwise to presume this situation will persist indefinitely. Conditions could erode the permissive consensus that, in the trans-Tasman relationship, seems to extend even to free movement of people between the two societies. A deterioration in the terms of trade for primary exports could, for example, alter conditions on labour markets, especially in Australia. Such a change might create potential for electoral appeals that portray resident NZ citizens as a threat to Australians' material security. More immediately, the Productivity Commissions' Discussion Draft documents problems resulting from creation of a trans-Tasman labour market followed by the restriction of NZ residents' access to the Australian welfare system. Many NZers resident in Australia find themselves unable to participate fully in the Australian or the New Zealand welfare and political systems. They are 'labourers', but not members of the political communities within which they reside. This alienation raises again the tension of Polanyi's 'double movement'. Policies and markets extend across national boundaries, but politics, communities and identities remain *national*. This situation may present an opportunity for electoral entrepreneurs to mobilize the disenfranchised or to mobilize others against them as unwanted competitors or the source of social problems.

It would also be unwise to presume that integration and sovereignty will not become politically salient in New Zealand. Political entrepreneurs can attach sovereignty and integration to issues other than the movement of people. Kiwi Bank and ASB have demonstrated that (anti-Australian) national identity is an effective way of marketing banking services to New Zealanders. It remains to be seen whether the 'Australian laws are right for New Zealand – Agree/Disagree' campaign by British American Tobacco will be as effective. In 2007 party divisions over inclusion of complementary medicines in a planned Trans-Tasman Therapeutic Products Administration seemed poised to spill into the electoral arena as a debate over national sovereignty.⁴ In the end, mainstream politicians may not get to choose whether or not such issues become electorally salient. Because they touch on identities and values—perhaps in unanticipated ways—issues associated with trans-Tasman market integration are political and policy makers should remind themselves of this.

While this submission might help to identify why market integration is a political process, it must be less helpful in suggesting concrete ways to meet Palmer's exhortation to have a process that involves 'our publics'. Perhaps the most

² Liesbet Hooghe and Gary Marks, "A postfunctionalist theory of European integration: From permissive consensus to constraining dissensus" *British Journal of Political Science* 39 (2008), 1–23.

³ Colin Espiner, 'Aussie MP wants to slam door on Kiwis' *The Press* 13 Nov 2009 and Phillip Hudson, "'Costly NZ migrants should be restricted'", says Federal MP Kelvin Thomson' *Herald Sun* 22 Aug 2012.

⁴ Barbara von Tigerstrom, 'Globalisation, harmonization and the regulation of therapeutic products: The Australia New Zealand Therapeutic Products Authority project in global context,' *Canterbury Law Review* 13, 287–313.

important prescription is to maintain transparency in making policies about trans-Tasman integration. Lessons can also be drawn from European experience in this regard. Debates about the EU's 'democratic deficit' derive as often as not from an institutionalized lack of transparency in European decision making. In particular, charges of deficient democracy are often a result of opaque decision-making in the European Council, where member state heads of government meet to make many of the EU's most sensitive decisions. Rules of the European Council permit only heads of government and state to attend meetings and publish no transcripts. Consequently, it is difficult to determine how decisions have been made. This lack of transparency has permitted the heads of member state governments to support measures within the European Council that they subsequently oppose as 'impositions from Europe' before their voters. This structure permits member state politicians to off-load responsibility for difficult decisions onto 'Europe'. The long-term effect is that 'Europe' is made responsible for difficult decisions, but never given credit for popular ones.

Decision-making institutions of the trans-Tasman relationship may be susceptible to similar manipulation. Much integration of the Australian national and trans-Tasman markets has been achieved on a foundation of 'executive' and 'cooperative' federalism. This 'cooperative' federalism takes place within the structures of COAG, its ministerial councils and standing committees of officials. Like the European Council, these structures represent only the executives of the various jurisdictions involved. Without strong measures to enforce transparency, decision-making in these bodies might also be used to shield decision makers from public accountability for their actions. It should be noted that, after the review conducted by Allan Hawke in 2010-2011, COAG ministerial councils introduced important changes to enhance transparency. For example the new *Handbook for COAG Councils* replaces the old rule by which ministerial council proceedings and documents were confidential⁵ with the demand that 'The actions of Councils need to be transparent to all stakeholders. Objectives, outcomes and progress should be communicated publicly in non-bureaucratic language.'⁶ Ministerial Council Secretariats are now required to publicize a significant amount of information on websites. Transparency of decision-making is necessary to maintain democratic accountability with regard to who has made decisions and why they have done so. This is especially important in issue areas surrounding market integration that are potentially political but often technocratic in nature.

Hopefully this submission is useful as a reminder of the political nature of market integration. Even when policy makers claim they are interested only in 'economic integration', they must be aware that their decisions raise issues of distribution and identity that may provoke conflict within and between societies. Neglect of the fact that the creation of a trans-Tasman Single Economic Market is a political act is likely to produce unintended and, perhaps, undesirable political consequences. These may slow or reverse policies intended to push integration forward.

⁵ Council of Australian Governments (COAG), *Commonwealth-State Ministerial Councils: a Compendium* (July 2006), p.9.

⁶ Council of Australian Governments (COAG), *Handbook for COAG Councils*, p.5.