Chapter Eleven: The New Zealand Connection

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A few weeks ago I sat ruminating with a very influential New Zealander. He mused that the Romans had controlled Britain for 400 years but that, when they left, within a short time little was left of them, other than ruins.

This may be a parable applicable to New Zealand.¹

The British abandoned New Zealand to its fate and joined the European Union in 1973. It is now rapidly becoming a Pacific country. In itself, this may be no bad thing. But the accompanying characteristics include:

- (Its per capita income is now slipping quickly out of the high income or First World category, and stood in May, 2001 at \$US11,200, when the World Bank cut-off point is around \$US10,000. It has dropped from \$US13,700 in 1999;
- Its demographic structure is increasingly non-European and Third World in origin and, despite having recently been the most British of Her Majesty's Dominions, it may have a bare European majority within a generation; New Zealanders mostly European left at the rate of over two per cent a year (79,000) in May, 2000-01 and will not now naturally replace themselves;
- It has little control over its major institutions: its banking, other finance, media, energy and transportation systems are almost entirely run, and often are run badly, by foreigners; its universities, health system and housing stock decline to Second or Third World standards; and its crime, youth suicide and social dissonance rates rise to developed world record levels;
- (Its remaining private corporations relocate headquarters and production to richer markets, particularly to Australia;
- (It abandons higher productivity industries, from automobile production, through television to international airline ownership;
- (It ceases to maintain the capacity to defend itself, in particular by closing down its Air Force and much of its blue water Navy;
- (Its European males abandon the running of the country to women and the sporting teams to Pacific peoples;
- Its economy becomes, after some decades of attempted industrialisation, once again, increasingly dependent on low wage and/or primary production industries, ranging from agriculture, logging and fishing through to tourism, but in a world economy paying less for these products and with a larger population base to support;
- Ouring 1981-1998 average real annual after tax family income declined by 10 per cent; and
- Since 1999, it has had a government with no discernible strategy for improving economic growth, but with a myriad of policies for redistributing the existing national income.

This all came as a rather unpleasant surprise to me.

On 1 July, 1999 I took up my present position as Chair of Political Studies at the University of Otago. In February, 2000 a publisher wrote asking if I would contribute to a volume on the virtues of New Zealand integrating politically with Australia. I declined to so contribute, but said I would rather produce such a book myself.

During much of the rest of 2000, among other things, I wrote that volume. In April, 2001 the book was published as *Waltzing with Matilda: Should New Zealand Join Australia?* by a small but honest Wellington publisher.

Since then, it has been noted or reviewed in every newspaper in New Zealand and by *The Australian*, *The Times of India* and *The Straits Times*. It has been the subject of two prime time television documentaries and several radio broadcasts, and I have been interviewed about a dozen times for the media about the issue. I testified before the Parliamentary Committee on the subject earlier this year. It has also generated three conferences – one for two and a half days organised by myself as the 36th Otago Foreign Policy School; a second by the New Zealand Institute of International Affairs all day in Wellington; and a third yet to be held over three days in October in Wellington. A number of other conferences have added this theme to their other issues. In July I addressed the New Zealand National Party annual conference in Wellington on the subject – and the Party later passed a conference motion to rejoin ANZUS.

Of course, I do not claim I alone generated this activity, and some of it would have no doubt occurred anyway. But I was in the right time at the right place. My book gave impetus to what is referred to routinely – and so, routinely, dismissed – by New Zealanders as "that hoary old chestnut of joining Australia".

That is now widely discussed, at least in the chattering classes, as a possibility – though not by the Prime Minster herself. Indeed, she dismissed my book in April on national TV as having unfortunately appeared at a time when the New Zealand economy was strong and the Australian weak. In the previous quarter the Australian economy did 1.1 per cent while New Zealand failed to grow.

Trans-Tasman union is only one reform measure on the agenda, however, at a time of some considerable uncertainty for New Zealand.

1. New Zealand constitutional arrangements

Earlier this year I was also asked to contribute to a discussion in the country's largest circulation newspaper, *The New Zealand Herald*, on the less radical issue of constitutional reform.

The impetus for most proposals for reforming the structure of New Zealand's political process comes from one of three sources: a sensible desire to stabilise the policy regime after two decades of radical and oscillating change; Left opposition to the continuing liberalisation of the New Zealand economy; or the objective of continuing the establishment of a radical, welfarist and now part Polynesian Utopia in the South Seas.

These are all understandable impulses.

The centralisation of power in the New Zealand Cabinet has enabled a succession of quite diverse governments, and their dominant personalities, to impose their will very quickly on New Zealand, from Robert Muldoon and National, through Lange/Douglas Labour, on to Nationals again under Bolger/Richardson and Shipley/Peters, to the present government, dubbed by its critics as "Helengrad". Many people would now like greater checks on executive power.

Mixed Member Proportional representation – that is, MMP – since 1996 has not provided this. Indeed, it has arguably increased Cabinet power by introducing to Parliament a greater number of politicians dependent not on their independent standing with the public, but on their support within their much more ideological and executive controlled political party.

On the left of the spectrum many also believe a less powerful Cabinet would not have been able for the last fifteen years to dismantle the New Zealand welfare state and public sector with the resulting national social calamity. Although their cries are now muted by support for the present government doing much the same in the opposite direction – that is, re-regulating – their thoughts are both valid and widespread.

Others again believe that the political system should continue to be used for the creation of a more egalitarian and new society. To that end, executive power should continue to be used forcefully to establish a Republic, design a Maori sovereignty, dramatically equalise wealth and income, advance the cause of the environment, peace, or feminism, and so on.

How might New Zealand create a more stable political environment, that enhances democratic procedures but which facilitates a better economic performance by producing greater policy regime predictability?

Unlike almost all other democracies, New Zealand has no deliberately structured system of checks and balances; little separation of powers; and very few review processes. These features produce, again nearly uniquely, the almost total domination of the country by the Cabinet of the day. And within that, at present, the almost total domination of the Cabinet by the Prime Minister, Helen Clark. Her views are a combination of high tax welfarism, selective environmentalism, 1970s anti-Americanism, 1980s middle class feminism, 1990s identity politics, and neutralism. This resonates with some of the New Zealand intelligentsia, and received support from the University set until the impact of this government's funding regime dawned on them.

Unlike in the US or Australia, whose founding fathers faced these issues in the 1780s and 1890s, the New Zealand Cabinet is not restrained by: a written Constitution; a powerful High Court; the need to get legislation through a Congress/Parliament that it doesn't control; a Bill of Rights (US); a House of review (Senate, and even the Lords); an entrenched and powerful committee system in the legislature (US); a back bench wholly independently elected by the population (Commons); other powerful tiers of government (US, Australia, Canada); or a serious mass political party membership (New Zealand once upon a time).

Because winner take all is so supreme in the New Zealand political system, it often appears the Government faces no Opposition. Since the Nationals can now do little to prevent executive power being exercised, they have for the last eighteen months quite rationally had a bit of a rest. Labor did the same ten years ago.

The result of this supreme, but temporary, power has been gyrations in public policy for twenty years. This has undoubtedly contributed to the poorest economic performance in the OECD and the impending exit from First World economic status. How might this problem be addressed?

New Zealand could do with a written Constitution, incorporating some decent checks and balances on state power. At present its constitutional procedure is an amalgam of the British annexation, the *Treaty of Waitangi*, various Acts of the British Parliament and Crown, many Acts of the New Zealand Parliament, and a lot of procedures generally followed. (Even the Privy Council has been in there.) Many people – almost all of them British and fans of Edmund Burke, and not necessarily including Tony Blair – think this is a good idea. New Zealanders should not.

The first draft of such a Constitution could be drawn up by experts – let us try the parliamentary draftsman – from existing practice as best it can be determined. Constitutions need not be long. Take out the archaic financial provisions and the Australian Constitution need be only ten pages, the American no longer. Parliamentary procedures are more complicated and, as in Australia, might run to a thousand pages and be printed separately, like the electoral law, commercial code, taxation regime and so on.

This could then form the basis for a serious High Court to which people might appeal if the government overstepped its power. In both Australia and the US, the highest courts have struck down government acts on a broad range of issues both to the left and the right — bank nationalisation, taxation, eligible members of Parliament, capital punishment, abortion and indigenous land rights — if not routinely, then frequently.

It could also enable, possibly later, the reforming of another parliamentary House of review, abolished in New Zealand in 1950, elected separately and under different constituencies. Usually these would be geographically based on, say, the regions of the country rather than its classes as in the Lords, or its States as in the US or Australia. This was always a better option than MMP and need produce no more politicians, if all existing List MPs had to shift to the new Chamber in the first instance.

At present, there is great confusion about what New Zealand is and where it is going: a welfare state returning to the fold; a liberal experiment temporally suspended by Helen Clark; a green, under-developing, feminist Utopia in the making by the same; all of the above and whatever else turns up?

A written Constitution would provide a legal bedrock which might help define these purposes more clearly, and set limits to them, for New Zealanders as well as others.

2. Joining Australia: costs and benefits for New Zealand

The more ambitious proposal is for New Zealand to join Australia, possibly as the seventh State as envisaged, or at least provided for, in the Australian Constitution.

The arguments for New Zealand to apply for such a status to the Australian Parliament are weighty and are dealt with in my book at great length. I may here summarise them under four general categories: economic, political, access and strategic.

The Australian economy has done much better than that of New Zealand over the last three decades and has opened up a 50 per cent per capita income gap in that time, standing now at \$US17,000 against \$US 11,200. Joining Australia might enable New Zealand to access the sources of that better performance – whether they be better management, a more productive culture, a larger economy or a more extensive resource base. It might also produce a further outflow of New Zealanders to Australia were the migration made thus easier. But at least existing New Zealanders would benefit from the process even if their islands' population were thereby reduced – which might be no bad thing.

The structure of New Zealand political life is seriously disturbed by the periodic and present domination by a Left bloc holding views that can only be described as archaic in an age of globalisation. It is the only developed country to have increased income taxes this century in the name of progressive results – and the worst performed economically, partly as a result. Such behaviour is remediable in the case of a State government – as recent experience in Victoria and South Australia has shown – but can prove fatal in a sovereign nation state.

For individual New Zealanders, union with Australia would ensure their rights to move themselves or their institutions to Australia and thus offset the dangers posed by the unilateralism of the Wellington regime. This is a considerable advantage for those seeking an upward social mobility which the political sociology of New Zealand seems determined to prevent.

Union with Australia would ensure the defence of the New Zealand realm and its interests by providing it with access to the most serious military force in its region – the Australian Defence Force (ADF). The geography of the Shaky Isles continually gives rise to the geo-strategic thought that no-one will attack us or our interests, and we can as a result design a military force only capable of interfering with others' interests – and that with impunity. This is a shallow and potentially damaging posture.

The arguments against New Zealand joining Australia include: identity issues; the differences over foreign policy, particularly but not only nuclear issues; and the treatment of indigenous peoples, particularly as defined under the *Treaty of Waitangi*.

The core of the New Zealand identity was established in 1901, and may now be largely described as *not being* an Australian. Recently, this has been augmented by over 20 per cent of the population being of Pacific origin, including Maori and other Pacific Islanders. Over five per cent of the population are now of Asian origin.

The related political culture is, however, now clearly different. Domestically this shows up as support for a larger state sector, which dates from the 1930s, but also in stronger support for utopian strands, like feminism, pacifism, environmentalism, indigenousness and formalistic egalitarianism. Because the state is more easily captured, the latest trend — usually a thought generation later, because of distance — makes a bigger impact. Today, it takes the forms previously described as embodied by the Prime Minister.

Due to the dominance of the Left in the governments of the 1980s, there are residual and anachronistic issues of anti-nuclear policy that remain popular in New Zealand. If they were exposed to a wider and more serious strategic debate – as is conducted in Australia – this might not be so important. But there are other more transient issues that also continually arise, including presently the US proposal for an Anti-Ballistic Missile defence system, the *Kyoto Protocol* on the environment, and relations with the Peoples Republic of China. The New Zealand Left will quickly adopt an anti-US posture if possible.

Some New Zealanders also worry that union with the Australian state would diminish their capacity to comply with the 1840 *Treaty of Waitangi* under which the British Crown gave assurances to Maori leaders before taking over the country. The Treaty has now spawned an industry not unlike the old Arbitration system in Australia which has a life – and interests – of its own. None the less, and despite the continuing re-definition of the meaning of the Treaty during the last half century of legislation on the matter, the New Zealand political classes take it very seriously.

Whether New Zealanders would want to join Australia is a difficult issue to measure. Opinion polls suggest perhaps a fifth to a quarter of the population think it is a good idea. In addition, over 460,000 New Zealanders have migrated to Australia already (although I doubt that all of them want their homeland to join them). Perhaps that number again are now living in third countries. There is also an intention among recent migrant communities to leave for Australia as soon as formal qualifications to do so are achieved. Finally, my polling suggests that there is stronger support for such union the further one ventures up the decision making process in almost any sphere of national life, save the Left and, maybe, rugby circles.

I concluded in my book that there is a window of opportunity for a determined and intelligent political leadership to take New Zealand into union with Australia. A sage reviewer – Steve Hoadley – pointed out that if New Zealand had such leadership it would not be necessary for it to join Australia!

3. Joining New Zealand: costs and benefits for Australia

The benefits for Australia are not so obvious, but are none the less tangible. These would include: a larger population; a bigger defence force; and more resources. None of these, however, are unqualified gains.

Union would add 3.8 million people, mostly English speaking and with a similar if lower productivity level to Australians. This could be a benefit for a country which has spent much of the last half century trying to increase its population stock, chiefly by controversial immigration intakes. They would also bring their own homes and chattels – reducing their attractiveness to the Housing Industry Association but relieving everyone else.

In the era of globalisation, however, this is not a self-evident boon. As Peter Costello pointed out last month, neither immigration nor union with New Zealand can make up the Australian population deficit of about 350 million to Europe or North America. Free trade would do the same job more quickly.

New Zealand would provide substantial augmentation for the ADF in two ways. There would be more people to pay for the same ambition to achieve regional air and sea superiority; and there would be some forces to add to the ADF.

Against this must be set, however, the fact that the ADF would then have more to defend to the south and east – regions which it may presently choose to defend or not. The military personnel added would also be heavily concentrated among the infantry, which will lack either transportation capability or air cover. The electorate that comes with them is also not inclined presently to defend itself, leave alone a larger, drier and more distant region altogether, and is more likely to add to the pacifist and anti-defence vote than reject it. And, in any case, by the time union were achieved, the NZDF would be so depleted as to provide a questionable military asset.

New Zealand would provide more physical resources, but almost none of them is of the kind that Australia both lacks and needs. It has few metals and energy sources that are not already abundant in Australia. It produces food, but not much that cannot be produced here. It has better ski fields and wonderful scenery – but these may be accessed by cheap tourist excursions without the inconvenience of adding a Haka to the Wallabies' opening scene or tattooing to our national culture.

There are also very real costs involved in adding New Zealand to our list of States.

New Zealanders are a poorer people and getting more so. They will likely slip out of the high income category in a year or two, and have elected and now support a government which has shown little inclination to resist this process. At present those New Zealanders who resent this process have some chance of migrating to Australia, which may be better off continuing to cherry pick in this manner.

New Zealand political culture permits a higher level of dependency on the state than does Australia. In part this accounts for the poorer economic performance of the country and the inferior level of management that accompanies it. Taking on a population like this with a size of one-fifth the Australian population in one hit may actually inhibit the performance of Australia – which is far from guaranteed success as it is.

New Zealanders are also significantly more isolationist, anti-defence expenditure, and anti-American than are Australians. Adding that number of voters to the often delicate Australian balance could well have, at some critical time in the future, the same catastrophic impact on Australian strategy that it had on New Zealand in the 1980s and again more recently.

Australians have been more benign towards political union than have New Zealanders. But in recent times a majority opinion in favour has *not* been recorded in opinion polling, which has run at just over a third in favour. As in New Zealand, that percentage increases among the decision-making élite.

But as the economic and social performance of New Zealand has declined, opinion favouring union there has increased, as has the number migrating to Australia. In Australia, for the same reason, recently opinion favouring union has declined, and the number of Australians migrating to New Zealand has also fallen.

It would now probably be harder to get a majority of Australians to vote for union in a referendum than it would be in New Zealand.

4. Seven States: constitutional arrangements and policy regimes

If we assume that in fact it proves possible to get a majority of New Zealanders to vote for application under the Australian Constitution to join the Commonwealth, and that Australians seem inclined to accede to this request subject to appropriate terms being negotiated, what terms would be appropriate?

My research makes it quite clear that politicians in both countries believe a referendum in both countries would need to be passed. Assuming that these terms dealt with the political difficulties I have previously mentioned – including the *Treaty of Waitangi*, the US alliance and the maintenance of national identity for New Zealand, and the other matters just listed for Australia, the formal, constitutional requirements would be less difficult.

Provision has been made in the Commonwealth Constitution for New Zealand to join as a seventh State, and that is the only status reasonably available to it. Clause 6 says:

"The States" shall mean such of the colonies of New South Wales, New Zealand, Queensland, Tasmania, Victoria, Western Australia, and South Australia, including the northern territory of South Australia, as for the time being are parts of the Commonwealth, and such colonies or territories as may be admitted into or established by the Commonwealth as States; and each of such parts of the Commonwealth shall be called "a State"."

Clause 121 adds:

"121. The Parliament may admit to the Commonwealth or establish new States, and may upon such admission or establishment make or impose such terms and conditions, including the extent of representation in either House of the Parliament, as it thinks fit".

A two-State model would over-represent New Zealand with Senators and/or divide New Zealand into basically two islands in a way not presently even hinted at in its political arrangements. It would thus get twelve Senators – under both proportional representation and a State's right – and about thirty members of the House.

As a State, it would acquire the same powers and responsibilities as the other six States. In such an arrangement, New Zealand as a State of the Commonwealth would lose power over currency, defence, external affairs, treaty making, migration and trade, all of which would all pass to the Commonwealth government.

It would, none the less, be able to retain control over the size of its own State relative to that State's economy, and the taxation required to finance it. To that end, it could have a substantially larger welfare system, as it now does, than the other jurisdictions, with the attendant risk of maintaining the poorer economic performance which it has also endured. It could also run independent environmental regimes and indigenous peoples policies where these did not conflict with its other obligations, including to the maintenance of free trade.

There might also be some variation in a number of other policy areas, including aspects of the criminal and legal code, occupational insurance, pay-roll tax, licensing, stamp duties, rates and local government, school education, welfare provisions and so on – as there is already among the existing States. But the final avenue of appeal in many of these and other matters would be the Commonwealth High Court.

5. Recent history

What then are the chances of these events occurring? After the UK joined the European Union in 1973 there was certainly considerable movement of the two countries to become more closely integrated. This was driven chiefly by economic considerations and reached its institutional apogee in the *Closer Economic Relations (CER) Agreement* of 1983. This has assisted a process during which New Zealand has moved from its dependence on Britain to a heavy reliance on Australia for its economic growth. As it dismantled its *dirigiste* state, this process accelerated.

For New Zealand, Australia is now its largest export market, source of imports, capital investor and provider of tourists. Australian institutions dominate the New Zealand economy and Australia is of intense interest to New Zealand.

For Australia, New Zealand is a major trading partner, serious investor and large source of migrants. New Zealand is of little interest to most Australians.

Under the National government 1990-93, New Zealand moved closer to Australia. During the term of that government the CER agreement, which the Nationals had after all concluded, was extended into modestly new areas, such as occupational qualifications and food standards. It also did its work in spheres of civil society which took integration to new heights in trade, investment and policy coordination.

The National government continued the process of the liberalization of the New Zealand economy and extended it to reducing the size of the state sector, the level of taxation and the privatization of more state assets. Liberal agitators argue, however, that this process gradually slowed in the late 1990s, especially after the coalition with New Zealand First was forced on the Nationals after the 1996 election. None the less, it did continue.

In the defence sphere, despite continuing disagreement about the US alliance, the two states got generally closer together during the 1990s. By 1998 the accepted verbal usage concerning the ANZAC alliance revolved around the expression "single strategic entity" or similar, as was used by defence ministers MacLachlan and Bradford as late as 1998. In 1999 the US was offering a favourable lease/purchase deal on 28 F-16 airplanes to New Zealand. President Clinton during his 1999 visit to New Zealand was openly canvassing more joint exercises between the two military forces – perhaps in response to the New Zealand contribution to the Gulf multilateral forces in that year. Most importantly, however, New Zealand quickly responded positively to the Australian request to deploy alongside the ADF in Timor as part of the International Force in East Timor (INTERFET).

Since the November, 1999 elections, under the New Zealand Labour/Alliance government the two countries have been moving apart in several policy areas. These have included defence, migration, law, role of the state, trade and national culture.

During the last eighteen months a range of strategic decisions have been made in New Zealand. The defence review of mid 2000 believed that the Australian relationship was difficult for New Zealand because of differences over:

- The Australian commitment to the US alliance;
- \(\) Different strategic assessments, wherein Australia is more pessimistic;
- Australia's aspirations to middle power status; and
- The refusal of Australia to go along with New Zealand's (anti-) nuclear policy.

These were irritants and signposts of Left re-thinking of this issue and accompanied the rejection of the F-16 deal.

The announcements of May, 2001 were more serious altogether – particularly those concerning the Air Force – and will seriously impact on Australian defence policies. According to one estimate:

- The capacity of the New Zealand Air Force will be quickly almost eliminated;
- The capacity of the Navy will be degraded by 40 per cent;
- Armoured reconnaissance capability and that of the Special Services will be reduced by between 20 and 100 per cent;
- (Maritime transport capability will be abandoned as the *Charles Upham* is sold;
- And while there will be an improvement in infantry capability of perhaps 25 per cent, it will have great difficulty getting anywhere under New Zealand steam.

Some improvement may be made in New Zealand's capacity to contribute to low level (sometimes called First generation) peacekeeping missions; but where these are contested, New Zealand will find itself unable to participate except when substantial forces are provided by other countries.

The cumulative changes to New Zealand defence policy by the coalition government now comprise:

- data abandoning the doctrine of a "single strategic entity" by announcement by the Prime Minister in January, 2000;
- declaration that New Zealand would not take up any version of the US offer to lease/purchase F-16 aircraft;
- description of New Zealand as the real "lucky country" living in "an incredibly benign strategic environment";

- restructuring the New Zealand defence forces to participate in peacekeeping operations with other countries' forces, which would provide the equipment which New Zealand would not now have;
- ending the combat strike force role for the New Zealand Air Force by phasing out the Skyhawks; and
- degrading the anti-submarine capabilities of the Orions.

These recent decisions have been dealt with by an Australian Liberal government, but defence policy is largely bi-partisan and Labor reaction would be similar.

Australia will now have to plan on the basis of New Zealand being, at best, an unreliable partner in strategic policy. This is particularly so given the structure of government there and the ease with which the New Zealand state may be turned by one election. In any case, even if New Zealand decided to contribute to the defence of Australia, it is not clear with what equipment and in what manner its forces would arrive.

The Australian reactions to these decisions have included heavy media criticism. On 12 May, *The Australian's* foreign editor wrote:

"Clark seems less like a modern Prime Minister and more like a greenie activist caught in a South Pacific Groundhog Day in which it is forever 1972 ... for Clark, raising taxes and abolishing her nation's defences, Joan Baez has never stopped singing. ... Senior Australian ministers are in a kind of muted despair about New Zealand ... they think New Zealand has become literally hopeless".

The Australian government has been muted, save for two notable exceptions. The White Paper of late 2000 makes some quite barbed remarks for an official document about an ally. And after the ditching of the New Zealand Air Force the Australian Prime Minister pointedly referred to the fact that, while this was a decision for a sovereign state to make, it would have both international and domestic "consequences".

It now appears that the New Zealand political system as a whole has a quite different view of its strategic location and position from that of Australia. In essence, the difference between the two countries which has re-emerged during the last eighteen months is that:

- The New Zealand government believes there is no credibly imaginable threat to its interests and will not plan to defend itself, but will plan to contribute to uncontested peacekeeping operations with other powers;
- Australia believes the strategic environment is potentially dangerous and will plan to defend itself, alone if necessary.

Both these positions have considerable public support in the respective countries, though how much in New Zealand may be contested. Although National in power got closer to the US and Australia, it was never able to undo the nuclear vessels legislation, as both Canberra and Washington will note.

In 1999-2000 there was another surge of New Zealand migration to Australia. In September, 2000 Prime Minister Helen Clark assured Prime Minister John Howard that the "overstayer" amnesty would not produce a further surge. Those who would qualify, estimated between 5,700 and 7,700 people, were only those "well settled" for five years or more, and not inclined to move. Immigration Minister Ruddock advised Howard otherwise, and urged New Zealand to adopt higher immigration standards to match those of Australia. New Zealand Ministry of Foreign Affairs and Trade officials, too, warned the Government of the consequences of the amnesty. *The New Zealand Herald* reported on 18 April, 2001:

"The amnesty could have a significant impact on the bilateral relationship with Australia, and was likely to undermine support for the Trans-Tasman Travel Arrangement (TTTA).... The proposal would send the wrong signal to would-be illegal immigrants, who would eventually acquire New Zealand citizenship and gain backdoor entry into Australia under TTTA. The Australian Government regarded the TTTA as a gap in its otherwise carefully controlled immigration procedures, but was prepared to maintain the agreement as long as New Zealand's immigration programme did not significantly differ".

The amnesty was nevertheless granted. Cabinet papers leaked in early December, 2000 said Australia was claiming that welfare costs attributable to New Zealand immigrants could exceed one billion Australian dollars over the next ten years. New Zealand had either to pay up or agree to more restrictive guidelines if it wished to salvage the essence of the TTTA.

New Zealand subsequently decided to keep up all benefits for Australians, to attract and retain them. Australia declined to reciprocate. The new arrangement came into force on 26 February, 2001. All New Zealanders then resident in Australia would enjoy the previous benefits; new arrivals would not.

Australia, with New Zealand acquiescence, in fact had changed a fundamental feature of the TTTA. Previously, New Zealanders qualified for Australian residency after a two-year waiting period, after which they gained full social security eligibility and all other privileges. And they gained the option of applying for citizenship, subject only to a clean health and character record. After 26 March, 2001 New Zealand arrivals could still live and work in Australia indefinitely (albeit without social security eligibility), so still enjoyed a unique status. But if they wished to gain residency, they had to apply (and pay a A\$1,000 fee). And they now had to achieve the same standards of skills-based points, entrepreneurship, or family sponsorship as migrants from any other source. An applicant over 45 years of age had almost no hope of success under the points system, for example.

Australian immigration specialists estimated that less than half of the 40,000 New Zealanders who crossed the Tasman during the prior year would qualify for Australian residency. Other consequences are possible as a result of the new policy.

While New Zealand will get relief from the \$169 million or so remitted under the previous equalisation agreement, and avoid higher future bills from Australia, it risks getting back Kiwis who fail in Australia and who return home to go on the dole. In addition, a number of Kiwis on the dole or benefits here (i.e., in New Zealand) who might have tried their luck in Australia will now be deterred, and remain home ...still on the dole. The New Zealand government may not save in the long run as much as it hopes.

Also, the new policy will not stop the brain drain. Since 1997, Australia has gained 10,810 New Zealand professionals, 5,476 trades people, and 1,022 senior clerical and service workers. These people, typically young, energetic, and ambitious, will continue to be attracted by economic opportunity. They will not need social security benefits, and if they need residency, they can easily qualify. As Birrell and Rapson argued in *People and Place* this year, Australia will be a main beneficiary from the changes, cherry picking New Zealand's skills. Migration issues will spill over into other sectors, putting further strain on the trans-Tasman relationship.

The number of New Zealanders in Australia who have applied for Australian citizenship rose from 4,000 in the first part of 2000 to over 10,000 in the first part of 2001 – largely from fear of losing the opportunity if the Australian government closed the door further. The number of student indebtees in Australia is rising at about 4,000 a year, and their defaulted debt by \$60 million a year.

The former Canadian Prime Minister, Brian Mulroney, in June advocated the pipedream of New Zealand joining NAFTA. This would be as good an idea as New Zealand joining the European Union. The fact is that neither has expressed any interest in having New Zealand as a member. Australia is negotiating with the US to form a Free Trade Association. It is doing so without New Zealand, and with the huge advantage of being arguably the United States' most reliable ally across a wide range of other issues. Eighty major companies in Australia, many with US links, are lobbying for this in Washington. During the AUSMIN talks between the Australian government and the US Secretaries of Defense and State on 30 July in Canberra, the Americans gave Australia public assurance that such a FTA was being favourably considered in Washington.

During 1999-2000 there was considerable discussion about the possibility of the New Zealand and Australian stock exchanges merging. This was accompanied by and overlapped with other related considerations, including a proposal for a joint ANZAC currency and a common companies code. All of these have been shelved during the last year.

There has also been a modest expansion of the state as a proportion of the total economy. Using OECD figures, it would appear that in 2000 the New Zealand state sector comprises 40.8 per cent while that in Australia is 31.4 per cent. The New Zealand figure is not only substantially higher but has actually been rising under the present government, whereas it was falling under Nationals and was projected to continue to fall. Peter Costello, on the other hand, went to some lengths to defend his 2001 Budget on the grounds that it shrank the size of the state sector.

When first she was asked about integration with Australia shortly after coming to office, Prime Minister Clark said she believed the two countries were becoming more dissimilar under the impact of the rapid ethnic change in New Zealand. This is a fair observation about the development of biculturalism in New Zealand, compared with multicultural Australia. Under the *Treaty of Waitangi* the present government was committed to a policy of "Closing the Gaps", which it abandoned in late 2000 as a result of European backlash. Essentially, however, its policy remains the same, of attracting and maintaining a majority of Maori/Polynesian votes and thereby cementing its position as the long term government of New Zealand for the first time. To this end, it has pursued a number of policies, including enhancing Maori language television broadcasts, giving Maori preference in social service delivery (once part of "Closing the Gaps"), and increasing the number of Maori parliamentary seats, which have an average of about half the number of electors as general seats.

This all, of course, serves to dilute the basis for Australia-New Zealand partnership or even integration to the extent that it is in the final analysis based on the kith and kin argument of racial or cultural proximity. To regain office, one leading columnist, Colin James, argued in *The New Zealand Herald*:

"National must learn biculturalism. Just settling Treaty grievances and setting up a few Maori health authorities misses the point. National's present attitude to Maori is in essence multicultural – acceptance that people of minority cultures might maintain their customs, ceremonies and language and that the state might even help them do that. Biculturalism, by contrast, acknowledges that two cultures stand side by side as equals and command mutual recognition and respect".

The Australian equivalent would be to grant Aboriginal culture equal status to that of all other Australians – a presently almost unimaginable outcome.

This apparently unilateral movement by New Zealand away from Australian policy has alienated Australians of all hues. It has also generated a larger than usual spate of anti-New Zealand and anti-New Zealanders resident in Australia stories in the Australian newspapers. What has made the tirade of the last year more serious is that it has spread to the serious newspapers, whose concerns have not just been the usual diet of "Kiwi dole bludgers", but have overlapped to the business, strategy and political columnists.

But after the initial outrage of reaction to perceived Kiwi stupidity has subsided, the country must seriously ask what to do with them. In a way, this consideration is hampered by the similarities between Anglo-Celts in New Zealand and Australia.

New Zealand is a foreign sovereign state driven by its own interests. At the moment the Clark government manifests them in a manner more distant from those of Australia than did the previous government. But that is their interest as determined by their elected government. Relations between the two states should not be confused with union between them, which may or may not happen some time in the future. In the meantime, they must live together as two sovereign states.

If New Zealanders want to become a semi-Polynesian outpost, this is fine. But Australia should then treat them as a sovereign state with such an ambition, not as an equal social and strategic partner.

Conclusion

It is extremely unlikely that any significant movement towards greater integration will occur under the present New Zealand government. This is not likely to resume until the Nationals are back in power leading the national government. On my reading of the situation, this is unlikely to occur until the 2005 elections.

If the New Zealand economic and therefore social, infrastructure and population problems have continued to worsen – as is now occurring under the Left coalition government – there might then be greater support for integration with Australia.

In other words, only as and if the New Zealand crisis worsens, is it likely to seek admission as the seventh State of the Commonwealth. In this event, its admission would become less likely as time goes on.

In my view it has been hard to maintain Australia as a First World, high income country in an era of globalisation. This has been partly achieved at the cost of substantial, disruptive and difficult political and economic reform during the last two decades.

Adding on the burden of New Zealand, where the results have been less successful and, arguably, not even positive would give a further substantial handicap to the Australian people. It would be one they would be unlikely to adopt at that time.

Endnote:

1. References may be found in Bob Catley, Waltzing with Matilda: Should New Zealand Join Australia?, Dark Horse, Wellington, 2001; and Bob Catley, ed., New Zealand-Australia Relations: Moving Together or Drifting Apart?, Dark Horse, Wellington, 2001.