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A Trans-Tasman Business Elite?

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Abstract

This article examines the close relationship between the Australian and New Zealand business communities to ask whether the relationship is best characterized as simply a bi-lateral trading relationship, or whether there is evidence of the formation of a transnational business community. This article also seeks to explore the nature of Australia-New Zealand integration, and specifically the degree to which the relationship is interdependent or asymmetrical. Data are drawn from quantitative sources – including a dataset developed from the IBISWorld's Largest 2000 Enterprises in Australia and New Zealand, Who's Who in Australia, and Who's Who in Business in Australia – and qualitative sources, including interviews with business and policy elites. Our findings are that the relationship between the Australian and New Zealand business communities is much deeper than a bi-lateral trading relationship, but also falls short of forming one transnational community. We also find that the relationship is substantially asymmetrical in nature, raising concerns among a number of New Zealand business executives about New Zealand sovereignty.

Keywords: Australia, business community, business elites, foreign investment, New Zealand, Trans-Tasman

Introduction

Although the last 25 years have seen remarkable co-ordination and harmonization of business policy across the Tasman, there have recently been a number of notable 'failed' Trans-Tasman policy initiatives, including an attempt to form a single banking regulator, and an attempt to merge the Australian and New Zealand stock exchanges. The 'failure' of these harmonization initiatives seems to reflect a divergence of interest between the Australian and New Zealand business communities, as expressed, for example, in the concerns of the New Zealand business community about abandoning sovereign control over their banking system which is 90 per cent Australian owned. However, concerns at the stalling of the harmonization agenda have also led business leaders on both sides of the Tasman to initiate deeper and more comprehensive policy dialogues such as the Australia–New Zealand Leadership Forum. This Forum has managed to garner the support and attendance from the highest level business and political leaders from both sides of the Tasman since 2004.

This article is motivated by an attempt to understand these two possibly contradictory developments: continuing Trans-Tasman policy conflict, and deeper Trans-Tasman policy engagement. We do so from the perspective that these tensions are driven by economic and sociological causes, and in particular, from the very special, multi-dimensional relationship between the Australian and New Zealand business communities. Although it is not controversial to suggest that there is a close relationship between these two communities, it is not clear how this relationship should be characterized and what its effects on public policy are. To what extent are the connections between the business communities more than just a bi-lateral trading relationship? To what extent is there a tendency towards the formation of a Trans-Tasman business community similar to that found in the European Union (Fligstein and Merand, 2002) or within unified nation states? And, can the relationship be said to be an 'equal' or 'fair' one, and in what senses?

This article examines these questions drawing on published and primary material, qualitative interviews and a dataset developed from the IBISWorld's Largest 2000 Enterprises in Australia and New Zealand 2006, Who's Who in Australia 2005 and Who's Who in Business in Australia 2005. The article begins with an overview of our methods and datasets. It then attempts to characterize the integration of the Australian and New Zealand business communities along five major dimensions: (1) business culture; (2) trade, investment and ownership; (3) managerial elites; (4) business policy elites; and (5) business policy.

Methods

Discussions of the political sociology of Australian business have tended to be framed either in terms of the concept of business 'elites' or in terms of a business or capitalist 'class' (Gilding, 2004). Both concepts are valid and useful for describing different aspects of national and transnational business communities. We use the phrase 'national business community' in a way that is largely synonymous with previous use of the phrase national business 'class', and define it as comprising all major owners and senior managers of large and medium-sized businesses in that country. We distinguish this from business 'elites', by which we mean the set of individuals who come into leadership positions of major organizations of the business community, both economic, such as corporations, and political, such as business associations (Burton and Higley, 1987).

This article is based on qualitative and quantitative data. Elite qualitative interviews were carried out in Sydney and Auckland during late 2004 and late 2005. Interviewees were selected because of their 'Australasian nature' such as senior New Zealand executives working in different Australian banks; for their focus on the Trans-Tasman relationship – such as the Trans-Tasman Business Circle, TradeNZ and business consultancy – or for their centrality to other Trans-Tasman debates such as the debate over the possible share market merger. They were asked a common set of questions but with opportunity for broader discussion. These were supplemented both by further interviews for another study, which asked different questions, but touched on similar themes. A total of 11 interviews were carried out. All interviews were taped and fully transcribed. Interviews lasted from one to one-and-a-half hours.

The quantitative analysis draws from a dataset developed by Harrigan (2006). It integrates IBISWorld's Largest 2000 Enterprises in Australia and New Zealand (2006), Who's Who in Australia 2005 (Crown Content, 2005a) and Who's Who in Business in Australia 2005 (Crown Content, 2005b). IBISWorld includes over 7500 directors (both executive and non-executive directors) holding over 10,000 directors' positions in the Top 2000 corporations, and the 20 largest shareholders of each corporation. Who's Who includes biographies of over 33,000 prominent individuals in Australia (and many from New Zealand). Each director in IBISWorld was matched with their Who's Who record (if they had one), giving approximately 4500 matches.

A subset of the IBISWorld firms was used, comprising the largest 53 New Zealand public listed corporations, and the 200 largest Australian public listed corporations. This population represented all the public listed New Zealand corporations in the IBISWorld dataset, and a comparable set of Australian corporations.[1] Nationality

[1] The measure of company size given in the IBISWorld dataset was total revenue (a measure of turnover or sales). The ratio of the total revenue of the corporations in our 2 samples is (Australia: New Zealand) $A645 billion: $A52 billion, or approximately 12.5:1. This ratio of total revenue represents a compromise between the two primary measures used to compare the relative size of nations' corporate sectors – market capitalization and GDP – neither of which was entirely adequate for our purposes. The ratio of market capitalization (approximately $US1,151 billion: $US56 billion, or 20:1) is usually the preferred measure for such analyses but in this case it understates the relative size of the New Zealand

of corporations was established by head office location. Nationality of ownership was established from the listing of largest 20 shareholders in the IBISWorld dataset. A corporation was classified as having 'Australian' or 'New Zealand' ownership if more than 5 per cent of its shares were owned by Australian or New Zealand individuals and/or corporations. The nationality of directors was classified according to country of birth, education or citizenship in either of the two Who's Who datasets. Directors who met the criteria for both Australian and New Zealand 'nationality' were classified as both. Confidentiality and security concerns from the data suppliers did not allow us to use place of residence to establish nationality. As a result, and given that less than 50 per cent of directors' positions are listed in Who's Who, estimates of Trans-Tasman integration are conservative. Trans-Tasman Business Circle membership was downloaded from the organization's website. Companies with a head office in Australia were designated as having a 'Trans-Tasman Directorship' if one or more directors of the company held a director's position in a company with its head office in New Zealand. The reverse was true for New Zealand firms.

Business culture

The most obvious similarity between the Australian and New Zealand business communities is what we might call their shared 'culture' or 'values'. There are many studies and surveys that support the argument that Australia and New Zealand share a business culture. In Hofstede's (cf. Hofstede and Hofstede, 2005) various heavily cited studies of business cultures, Australia and New Zealand rank very closely. The Globe Study of middle managers across 62 nations puts New Zealand and Australia in the 'Anglo-cluster', which in this study includes the UK, Australia, the USA, Canada and New Zealand, plus South Africa and Ireland (Ashkanasy et al., 2002). In the World Values Survey (2006) New Zealand and Australia are again ranked very closely together in the Anglo or Anglo-American group – that is, the UK, Australia, the USA, Canada and New Zealand. On measures of corruption – in this case Transparency International – New Zealand and Australia are somewhat apart but still close, with New Zealand ranked (along with Iceland and Norway) as least corrupt, at an index score of 9.6, while Australia ranked 9th at 8.7. In short, survey data suggest that it is hard to find two business communities which – in cultural terms at least – are more alike.

Interviews with prominent Australian and New Zealand business people provided substantial evidence to support this finding, but, as would be expected, the interviewees were able to point out nuances and exceptions. Two key differences stood out. There was strongly held belief among the New Zealand business executives and policy makers that we interviewed that Australians are more bureaucratically inclined and rule bound. As a Sydney-based New Zealand government official noted:

> … if you focus on the similarities you start ignoring the differences, and you ignore the differences at your commercial peril. And we therefore think that New Zealand companies almost get lulled into a false sense of security by thinking that Australia will be the same as New Zealand. And it's not. It's a much more formal place to do business in. It's much more bureaucratic. They've got many more layers of government than we have. Companies tend to be more hierarchal
>
> … which makes it very important to be able to identify the decision makers when you are talking to companies and it may well be the people that you initially start talking to aren't.
>
> It's an incredibly networked market where things like old school ties count and lots of relationships that start at school go on into business.

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corporate sector because many New Zealand firms are listed on the ASX and not the NZX. However, GDP (approximately $US645 billion: $US98 billion, 6.5:1) was felt to be inadequate as well, as it does not take account of the concentration of capital in larger countries such as Australia. Our choice of a ratio of 12.5:1 represented the half-way point between market capitalization (20:1), and GDP (6.5:1) and is an attempt to balance the limitations of both major measures.

One New Zealand business interviewee put this perceived more heavily regulated environment also down to cultural differences:

> You look up a law in New Zealand and a law in Australia. Their's literally will be kilos and kilos heavier in paper and it will tell you in great detail everything you shall and shan't do.
>
> Australians … are both more … anti-authoritarian and you … get that sort of larrikin rebel streak but at the same time they expect to be more heavily regulated
>
> … they sort of expect to be sort of stepped on.
>
> Whereas New Zealanders are, I think are more, in my experience, self-motivating.

There was also the belief that Australian business persons are more likely to be corrupt. As one New Zealand business executive noted:

> It's quite a bit more corrupt so there are ways of getting things done which are a little bit alien to us. You can talk to people in Sydney and they will show you basically that to get a consent through for your housing operation in time ... basically you have to use the brown paper bag method – maybe there is a certain amount of urban myth about it.
>
> In Auckland … you can talk to people 'til you're blue in the face and never find anyone who has ever thought it was worth bribing a council official to get their consent through.
>
> Maybe we're naïve and haven't tried it.

These are, however, exceptions that prove the rule: the Australian and New Zealand business communities share a remarkably similar culture. This similar culture significantly underpins the other close relationships that will be discussed in this article. There is a broader literature, which argues that cultural and value differences (often linked to the term 'psychic difference') are often seen as a deterrent to foreign investment and other business engagement (cf. Cuervo-Cazurra, 2006; Johanson and Wiedersheim-Paul, 1975). In this case, one only needs to compare the cultural divide that separates Australia from New Zealand with the cultural divide that separates Australia from either of its other geographically close neighbours – such as Indonesia – or many of its other major trading partners, such as Japan. In both cases, the lack of a common culture means that the relationship between the countries' business communities does not extend beyond that of a bi-lateral trading and investing relationship.

Trade, investment and ownership

The pattern of trade, investment and ownership between the Australian and New Zealand business communities is characterized by considerable integration and interdependence, but also substantial asymmetry. This asymmetry can be the source of some tension. At the macro level, these two trends – integration and asymmetry – are readily apparent. Australia is New Zealand's most important export market, its leading source of investment and also New Zealand's most important destination for Foreign Direct Investment (FDI). For Australia, New Zealand is a very important trading partner and site for investment, but not to the same degree: for Australia, the New Zealand market is more-or-less equivalent to an Australian state, it is the leading destination for Australian manufactures, its third most important destination for FDI and Australia's six largest source of FDI (ABS, 2006). Despite this asymmetry, New Zealand is still very important to Australian business strategy in certain industries. For example, New Zealand accounted for a third of the total investments by Australian private equity firms in 2005–6.

Drilling down to the firm level, a similar pattern is perceptible. As Table 2 shows, there is considerable Australian ownership of New Zealand companies with over 30 per cent of the largest New Zealand companies having 5 per cent or more Australian ownership.[2] As Table 1 shows, New Zealand ownership of Australian firms is low in contrast, with only 2.5 per cent of the largest 200 publicly listed Australian firms (a total of 5) having New Zealand ownership of 5 per cent or more.

Case studies of individual industries illustrate the forms that this integration and asymmetry take. Australian presence in New Zealand banking, notable since the mid-19th century, increased to dominance by the late 20th century. By 2005, the top 5 banks in New Zealand were Australian controlled, and 98 per cent of financial assets were with foreign-owned banks, compared to 40 per cent in 1985. The top 5 banks owned 90 per cent of all banking assets in New Zealand. New Zealand continues to be the most important overseas market for Australian banks.

Retail, manufacturing, entertainment and media have also been targets for Australian investment for much of the 20th century and into the 21st. For example, John Fairfax Holdings publishes around 70 per cent of New Zealand's newspapers, magazines and sporting publications, since purchasing Independent Newspapers Ltd (then majority controlled by Murdoch's News Corp by 2003) in 2003. Other media outlets – including radio and all but one major New Zealand daily newspaper – are also Australian owned. In 2005 the Australian company Woolworths Limited purchased what was Progressive Enterprises Ltd from its then owner Foodland Associated Limited, based in Perth, and continues to operate it as a subsidiary. In 2006, this company controlled 45 per cent of the New Zealand grocery market. Recent purchases of well-known New Zealand companies and brands have included Whitcoulls, Tegel (the leading poultry producer), Griffin's (the leading biscuit manufacture) and Kathmandu (a leading outdoor equipment retail chain), as well as hotel and business properties.

The traffic is not entirely one way. Fonterra – New Zealand's largest company – expanded into the Australian dairy industry acquiring leading Australian dairy brands such as Bega, and controls over 20 per cent of Australia's milk production. Lion Nathan relocated to Australia in 2000 and controls around 42 per cent of the Australian beer market. New Zealand jewellery company, Michael Hill International spread from New Zealand to open a shop in Brisbane in Australia in 1987, before expanding to 180 shops across New Zealand, Australia and Canada by 2006. In contrast, an attempt by the Warehouse to expand to Australia from its New Zealand base was widely regarded as a disaster and its 122 Australian stores and other assets were sold to an Australian equity firm in December 2005. One top 100 Australian company – Ansett – nearly bankrupted its New Zealand purchaser, Air New Zealand, and led to Air New Zealand's renationalization.

In summary, the pattern of investment, ownership and trade is characterized by deep integration of the Australian and New Zealand business communities, but an integration that appears to involve considerable asymmetries. As we shall see later in this article, these asymmetries are sources of some tension in the Australia–New Zealand business relationship.

[2] Five per cent is thought of as a significant shareholding. Most countries have legislation forcing owners with more than 3 to 5 per cent to declare themselves, as this range is considered the threshold at which owners can have significant influence over management of the company. Seven of the top 20, and 44 of the top 100 New Zealand companies in 2002 were more than 50 per cent overseas controlled. In 2006 foreign ownership of shares fell to 41.4 per cent from 44.3 per cent in March 2005. Of the top 100 hundred Australian companies, 31 per cent had a majority foreign ownership in 2002, a number that has remained largely constant (Foreign Affairs and Trade, 2002).

Table 1: Integration of Australian firms with New Zealand

		Firms with at least 5% of shares NZ owned		Members of the Trans-Tasman Business Circle		Firms with one director of NZ 'nationality'		Firms with a director with a directorship on a NZ company	
	Total number of firms	No. of firms	%	No. of firms	%	No. of firms	%	No. of firms %	
Australian top 200 public companies	200	5	2.5	18	9.0	26	13.0	27	13.5

Table 2: Integration of New Zealand firms with Australia

		Firms with at least 5% of shares Australian owned		Members of the Trans-Tasman Business Circle		Firms with one director of Australian 'nationality'		Firms with a director with a directorship on an Australian company	
	Total number of firms	No. of firms	%	No. of firms	%	No. of firms	%	No. of firms %	
Australian top 200 public companies	53	16	30.2	7	13.2	21	39.6	29	54.7

Managerial elites

The phenomenon of business cross-border transnational 'managerial elites' circulating within and across nations, and within different levels of the transnational operations of companies, has been noted in a number of studies across the world (Beaverstock, 2005; Castells, 2000). From the evidence we have collected, it appears that managerial elites from Australia and New Zealand demonstrate similar patterns of integration and asymmetry to those found in other dimensions of the Trans-Tasman relationship. As Tables 1 and 2 show, around one in seven of the largest Australian corporations have a director who also sits on the board of a New Zealand corporation, while more than half of the New Zealand corporations share directors with one of the top 200 Australian corporations.[3]

A similar trend exists in the origins of directors. More than 10 per cent of the largest 200 publicly listed Australian corporations had at least one director who is of New Zealand origin (as measured by New Zealand birth, citizenship or education). Australian representation is considerably stronger in the other direction with nearly 40 per cent of New Zealand listed firms having at least one Australian director on their boards. This

[3] At least 1.5 per cent of Executives (executives who serve on the board of the corporation, generally the CEO and Chief Financial Officer and sometimes other executives) of the top 200 publicly listed Australian companies are of New Zealand origin. At least 5 per cent of the Executives of the top New Zealand companies are of Australian origin. This is likely to be a considerable understatement of the real situation, given the limits to our data.

degree of integration is more strongly marked by state – NSW and Victoria are twice as likely as the rest of Australia to share at least one director with a New Zealand company. If we study the directors separately we find that just over 8 per cent of all directors of New Zealand firms have Australian origins, while just over 2 per cent of all directors of the top 200 Australian firms are of New Zealand origin. Anecdotal and qualitative evidence suggest New Zealanders and Australians are often highly represented at mid-management levels and, as such, not captured by our measures, and it is possible that the measurement of interlocking directorships only may understate the depth of the links between New Zealand and Australian business elites.

Qualitative sources provide a more detailed picture of these trends. The New Zealand media are notable for the extent to which they report when New Zealand-born executives are appointed to senior jobs in the Australian business sector. Recent high-profile appointments include David Kirk as chief executive of Fairfax and Ralph Norris as chief executive of the Commonwealth Bank, but others have included the head of Australian Gas Light Limited, chief executive of Channel Nine and the Halifax Bank of Scotland, and, as the Director of the Trans-Tasman Business Circle noted, 'quite a few chief financial officers of Westpac'. In contrast, there appears to be considerably less fanfare or media coverage of the considerable number of Australian-born individuals who head companies and sit on boards in New Zealand.

The asymmetry in the treatment of Australian and New Zealand executives on the other side of the Tasman can also be seen in the pressure on New Zealand executives to play down their national identity. As one financial executive working in an Australian business noted:

> I think one of the interesting things is that the Aussies that are [in New Zealand] are more visible. Partly because if you're a New Zealander and you want to succeed in Australia you generally play down your Kiwi identity. Kiwis who go over there after they've been there four or five years many of them will take Australian citizenship. There's obviously some sort of pressure on them to conform to succeed over there – to be seen as an Australian.

Ironically, this asymmetry provides certain benefits to a small number of New Zealand managers who rise to the top of the corporate ladder. The dominance of Australian firms provides one avenue by which New Zealanders can gain access to higher jobs in the Australian centre – Ralph Norris, for example, was a former CEO of ASB bank, a subsidiary of the Commonwealth Bank.

Business policy elites

The integration of Australian and New Zealand business elites extends into a range of political organizations and policy formation processes, and the degree of this integration appears to extend considerably beyond forms of policy co-operation seen in many bi-lateral relationships. This has included the involvement of a number of senior business leaders from both sides of the Tasman in policy 'entrepreneurship', including funding studies on various policy issues, initiating think tanks and building links between business, policy and other elites (Goldfinch, 2000, 2002; Kelsey, 1995). Unity around neoliberal ideology has provided an important linkage between some Australasian business elites. Examples of this include the links between Roger Kerr of the New Zealand Business Roundtable and leading financial business people in Melbourne, Sydney and elsewhere. Also important was co-operation between one-time Deputy Governor of the New Zealand Reserve Bank and former State Service Commissioner Roderick Deane, and the Australian economist and neoliberal policy activist Michael Porter, who together attempted, along with several leading business people, to establish a Tasman University in 1987. This evolved into the Tasman Institute. The Tasman Institute became an influential think tank based in Melbourne, and included leading New Zealand business members, some of which sat on its board of directors, and was partly funded by New Zealand business organizations as well as leading Australian businesses.

More formalized, and less ideological, various business associations provide important mechanisms for facilitating cross-Tasman policy coordination. One of these is the Trans-Tasman Business Circle, self-described as 'the major executive network between Australia and New Zealand', providing various services, meetings and contacts. As can be seen in Tables 1 and 2, 9 per cent of the top 200 Australian companies and 13 per cent of New Zealand's top corporations are members. The Director describes the Circle as providing a 'home for executives who are either travelling to the other country [or] being relocated' and giving businesses

> an opportunity to network and to profile what was happening between the two countries [and] to have a forum where they can discuss what they're doing. They may … have operations in New Zealand [and] are Trans-Tasman companies.
>
> We do not speak on anyone's behalf [but] we provide the forum for people to lobby. But if the Prime Minister wants to speak or the Treasurer or the Reserve Bank Governors want to talk to the business community in the other country, then the Departments of Foreign Affairs use us as the forum.
>
> Now if somebody wants to sidle up to them or lobby them or make a pitch …

The close co-ordination between business policy elites from Australia and New Zealand can be seen in the activities of the recently formed Australia–New Zealand Leadership Forum (and its close associate the Australia–New Zealand Business Council).[4] The formal impetus for the Forum came from a letter in early 2004 by two of the most prominent business leaders in Australian and New Zealand: Kerry McDonald, Chair of the Bank of New Zealand, and Margaret Jackson, Chair of Qantas. This letter to the New Zealand Prime Minister argued that the Australia–New Zealand relationship had 'plateaued' and lost its momentum. These two business leaders were key drivers of the subsequent Leadership Forums – the first in Wellington in 2004, the second in Melbourne in 2005, the third in Auckland in 2006 and the fourth held in Sydney in 2007. More than half the delegates to the Forum were business representatives, with the remainder from government departments, policy institutes and academic and cultural areas. Representation from both governments was at the highest level and included the foreign ministers. The Forums included briefing papers outlining issues for discussion and economic statistics, presentations, and specialist committees and working parties on particular issues, as well as opportunities for social networking. Between Forums, a number of working committees were formed to develop issues further – such as 23 working groups between the 2004 and 2005 conference. Despite attempts to broaden the discussion, the agenda and discussion was one that favoured business and economic issues, and provided broad support for moves towards a single market and general harmonization, albeit with some reservations by New Zealand representatives regarding sovereignty issues (Hempenstal, 2006).

There is some evidence that the Leadership Forums have facilitated or at least made apparent the policy consensus existing among policy elites, particularly among business elites. Business members have given significant weight to the idea of moving to a single market, despite some initial resistance from New Zealand elites on some issues. Border control reforms had resulted in common immigration queues for Australian and New Zealand passport holders in both countries – a direct 'win' for Forum lobbying. Work continued on tax and R&D regimes, consumer and commercial law, intellectual property and facilitating labour exchange. The working parties and other avenues for discussion continued to press for further integration and harmonization. In addition to these formal networks, interviewees acknowledged the importance of informal networks based on common nationality. As a senior business executive noted, in New Zealand 'there's a sort of an informal network of Australian CEOs here, who get together … there's like 30 people and they're all pretty visibly Australian'. To sum, there is considerable evidence of integration of the Australian and New Zealand business

[4] The Australia–New Zealand Business Council was established in 1978 with separate arms in both countries. It has commissioned and published a series of reports pushing for further integration, organizing meetings between business and politicians, and has made regular submissions on government policy on this issue. The Council was also actively supporting the establishment of what it called a 'Trans-Tasman Advisory Council' which took shape in the form of the Leadership Forums.

communities through the involvement of their respective business elites in a range of Trans-Tasman business policy groups and political forums.

Policy Convergence

Policy convergence across multiple levels also supports the development of a more tightly integrated business community. Indeed, this convergence to some extent reflects business support – both tacit and active – from both sides of the Tasman for such convergence, albeit to sometimes differing degrees.

In a certain sense, Trans-Tasman policy convergence has been important for over a century and a half. Institutional isomorphism went well beyond the simple sharing of a British colonial heritage (Ward, 1987).[5] Australia, New Zealand and the Australian states since the 19th century have shared policy ideas, policy innovations, legislation – and indeed policy personnel – to a remarkable degree. This was to the extent that a shared Australasian model of state development developed and existed for much of the 20th century. In turn, this model was dismantled in the 1980s and 1990s in a rapid and comprehensive process of economic liberalization, which also shared important characteristics (Goldfinch, 2000; Goldfinch and Mein-Smith, 2006).

The most fundamental realignment and policy convergence between Australia and New Zealand has been seen since the advent of the Australia New Zealand Closer Economic Relations (CER) agreement on 1 February 1983. CER is one of the most comprehensive free-trade agreements in existence and has seen the increasing harmonization of Australia and New Zealand across a vast array of policy fields, as well as the mutual recognition of each other's different regulatory and legislative regimes. This harmonization and mutual recognition has been carried out through such mechanisms as joint intergovernmental committees, co-operation between Trans-Tasman governmental agencies and regular meetings of ministers. A host of memorandums and agreements have been adopted by both governments. In 1986 New Zealand adopted competition law that reflected Australian examples, and a 1988 protocol was adopted which eliminated the application of antidumping laws. The Trans-Tasman Mutual Recognition Agreement, signed in 1996 and activated in 1998, allows any good legally sold in one jurisdiction to be sold in any other. Any person registered to practise an occupation in one jurisdiction can practise in any other. In 2000 a memorandum of understanding on the Co-ordination of Business Law (updating an earlier 1988 memo) was signed and affirmed by a Ministerial Forum held in 2003. The Open Skies Agreement, confirming a single aviation market, was signed in 2002. In 2004 a Trans-Tasman Accounting Standards Group was established with members from various accounting agencies and professional groups and representatives from the Australian Treasury and the New Zealand Ministry of Economic Development to establish similar accounting standards. The Australian Productivity Commission's recommendation to further integrate the two countries' competition and consumer regimes was endorsed by the New Zealand Finance Minister Michael Cullen and the Australian Treasurer Peter Costello in February 2005. In 2006 there were further moves to provide mutual recognition and harmonize banking regulation, consumer regulation, business taxation, securities law, among other things – and even to co-ordinate the New Zealand Reserve Bank and the Australian Prudential Regulation Authority 'especially in times of financial crisis'. A common currency is not entirely ruled out, nor is a common border for customs and quarantine and other rules. A single market remains the putative policy aim (Howard, 2006). In sum, in terms of policy and institutional frameworks – particularly in business, consumer and commercial law and the free movement of labour – there are few business communities who are closer.

[5] US models also influenced the Australian Commonwealth's constitution. The USA is also of course a former British possession.

Just as other dimensions of the relationship between the Australian and New Zealand business communities contain asymmetries, so too does the business policy. A number of Australian business people strongly support a Single Economic Market, including one competition regime, a single regulatory framework in commerce and banking, a merged stock exchange and, according to some Australian business leaders, a common currency – albeit the Australian dollar – although a currency union was recently discounted by the New Zealand government (Jackson, 2004; New Zealand Herald, 2004; O'Sullivan, 2004a, 2004b). However, while many New Zealand businesses are basically in agreement with the thrust for a single market, they are also more conscious of the potential loss of sovereignty and often support greater harmonization and mutual recognition of regulatory systems rather than a single system (cf. Hawke, 2004; NZ Treasury, 2005).

An important example of the tension over greater integration caused by asymmetry in the Australia–New Zealand relationship is the case of moves towards a single banking regulator. The Trans-Tasman Council on Banking Supervision was formed in February 2005 to enhance co-operation and further harmonize and/or mutually recognize the different regulatory regimes. Senior Australian ministers have been explicit in linking broader integration and a single banking regulator to a single economic market. Australian elites have noted in interviews they bear New Zealand particular good will, as one might a 'little brother', and that they have New Zealand's best interests at heart. New Zealand regulators have shown less enthusiasm however, and 14 'senior participants in the New Zealand banking system' interviewed by the New Zealand Treasury and Reserve Bank agreed with their assessment (RBNZ, undated). Even senior New Zealand executives working in Australian banks have expressed reservations. As one noted in an interview,

> in the case of bank regulation, the Australian view is well look, all the banks in New Zealand are basically Australian, mostly. And we've got an Australian regulator for Australian banks, then why don't you just trust us on that one. That sounds plausible but then you think okay, if you sign up to that, we could never then regulate bank behaviour. And the Australian regulator, which is answerable to Australian parliament and Australian people is regulating our bank system, sure. So if the bank was to fail nobody is sitting there worrying about the effect on New Zealanders.
>
> So sovereignty, I think, is important and sovereignty can be an emotional word but what it means to me is, you know, who's looking after New Zealand?

Another banking executive made a similar point:

> I don't believe you can have one regulator. Common regulation would make sense. But that's differentiated as to whether its Australian regulation or it is common regulation.
>
> … the Australian argument is oh but we're all in favour of harmonization which is a great idea for us both, so we'll harmonize everything – it's just that the first issue is bank regulation. We'll get to the other stuff later on. Well hang on, sorry what about apples – that's been going since 1918 you won't allow our apples and why don't we deal … with that first.

Another example of a move towards greater integration that failed was the merger of the Australian and the New Zealand stock exchanges. This failure was despite extended debate on the matter and some support from New Zealand governmental circles and from New Zealand businesses, including 70 per cent of New Zealand fund managers (Money Management, 2000). The matter was dismissed in 2002 ostensibly because of concerns regarding sovereignty and related issues (Hoare, 2002; NZPA, 2000). It is something that rankles still with some Australian elites, with an Australian stock exchange leader claiming in an interview that this would facilitate the hollowing out of New Zealand as firms moved to where 'the liquidity was' (i.e. Sydney). This was also a reason often given by opponents of the merger.

There is some concern among business leaders in New Zealand that the asymmetry of the Trans-Tasman relationship means that harmonization simply results in 'Australianization'. Indeed, the concern that a common market – particularly one unaccompanied by a political union – may not work in New Zealand's interests is not only voiced by academics such as Catley (2001), but one partly shared by some New Zealand business executives. As one business executive noted:

> Harmonization with Australia is a very good thing as long as it's actually on our terms.
>
> The downside … is that the Australian environment is [more] government and regulatory environment plays such a larger part. I think one of the risks we pay in New Zealand is we've imported a lot of Australian regulations. We're harmonizing more regulation, more compliance. I don't think that's a good thing; that's unproductive for our economy.
>
> Harmonization is a great word but harmonization with a larger neighbour is normally a takeover.

Another concern expressed by New Zealand business leaders is of 'hollowing-out' of New Zealand, as major companies relocate themselves to Australia, or as New Zealand companies are absorbed into larger Australian or other organizations. According to one business executive interviewed, Australian businesses

> … will apply a policy that works for their whole business but may not work in New Zealand. When they want to build a call centre, they will say okay, in New Zealand … wage rates are much lower, you know the staff I can recruit for the same dollars might be better educated or whatever it is. But across my whole business … my constituency really is in Australia and the New South Wales government or South Australian government is going to pay me some subsidy so I'll start the call centre in Australia.
>
> Those sorts of opportunities tend to hollow out in local operations ... and really New Zealand is just becoming more and more … a sort of a shop front.

Conclusion

The relationship between the Australian and New Zealand business communities is characterized by deep, yet not complete integration. We have argued that built on a common business culture, the relationship between the Australian and New Zealand business communities is characterized by substantial Trans-Tasman trade, investment, business ownership, interlocked directorships, closely co-ordinated business policy elites and a remarkable level of policy convergence. Our results suggest that integration is much more than simply a bi-lateral trading relationship, but nor are the two business communities a single unified community. Further we find substantial evidence of asymmetry across multiple dimensions of the relationship between the business communities, from patterns of ownership and investment, to director interlocks and 'harmonization' legislation, much of which seems to favour Australia because it is the larger player on a 'level' playing field. This asymmetry was seen by a number of the New Zealand executives interviewed as a possible threat to New Zealand sovereignty seen to place New Zealand in a vulnerable economic and political position.

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