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Metagovernance and the Role of Cultural Norms in the Regulation of Foreign Direct Investment: Trans-Tasman FDI Regimes

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Australia and New Zealand provide a unique set of comparators with which to examine similarities and differences in approaches to the regulation of foreign direct investment (FDI). By examining experience with regulation of FDI in these two states we show how they act in the governance space to enable state directed regulation and how these states differ in their approach to regulation. In particular, we focus on the influence of cultural norms in shaping metagovernace responses from each of the states. Textual analysis of the treatment of investment in bi-lateral discussions associated with Closer Economic Relations (CER) demonstrates that political, social, cultural and institutional factors are integral to modelling the challenges faced by national governments in regulating FDI.

Introduction

Renewed concerns about the regulation of foreign direct investment has arisen in the context of globalisation and specifically the growth of investment in services trade and the rise to prominence of China as a major source of Foreign Direct Investment (FDI). The former has advanced due to technological change and falling barriers to trade and investment in services; the latter factor is intimately associated with China's rapid growth and its quest for a secure supply of resources. While popular discussion of FDI often has an air of urgency attached to it, the development of regulatory practices, tend to be gradual and built on past experience. Therefore it is worth examining established practices to better understand dynamics of processes that lead to the development and implementation of regulation. Such dynamics are likely to be most influential in the longer term.

Current concerns with FDI and its regulation also point to deeper challenges in public policy and administrative practice under conditions of globalisation. A key challenge is how to theorise the workings of the state at the interface between the domestic and the international sphere. The concept of metagovernance is useful as it focuses on the "practices and procedures that secure governmental influence, command and control" (Whitehead 2003: 8) where the authority of government is challenged. Such contested spaces of regulation exist where the roles of actors are

not clearly defined, as occurs at the interface between national and international forms of investment. In such cases governmental influence may rest with actors other than the state. For example, the influence of other actors is readily apparent in areas such as food standards, standards and compatibility in electronics as well as safety in pharmaceuticals (Eising 2007, Newman & Bach 2004). From this perspective the state is portrayed as constrained in its actions, however not all observers accept this view. The revisionist position on the state under conditions of globalisation (Bell & Hindmoor 2009: 190) suggests a continuing role and indeed the necessity for a state centric view of metagovernance. They argue that, "metagovernance functions are the prime responsibility of the state" (Bell & Hindmoor 2009: 46). This position, that assigns priority to the role of the state, fits well with the case of FDI regulation in Australia and New Zealand. In this paper we focus on the role of the state in enabling the metagovernance of activity associated with the regulation of FDI.

The paper is structured as follows: an introduction surveys the importance of the Closer Economic Relationship (CER) and relationship to FDI in Australia and New Zealand. The concerns identified are located in the metagoverance literature. A methodology based on grounded theory is outlined and used in the examination of documents related to the CER. We offer a brief survey of theories of FDI derived from the international business literature highlighting the potential role for institutions in this. The formal institutions of the two countries are identified and their functions explained before the results of our inductive interrogation of the CER related documents are presented. The data derived from this process sees a theoretical model emerge and this is presented in schematic form. Finally it is demonstrated that hypotheses can readily be proposed for the application of the emergent theoretical framework.

The case of Australia and New Zealand is a particularly interesting one to examine because of the longevity of the Australian-New Zealand relationship, the increasing integration of the two economies and the role played by the bi-lateral trade agreement called Closer Economic Relations. Under the CER, which came into effect on 1st January 1983, complementarities between the two economies are recognized. Both economies welcome foreign direct investment and subscribe to policies of free trade and openness to investment, but both maintain separate regulatory regimes for FDI. In turn, trade between the two economies is substantial: in 2009 two-way trade was worth A$21 billion and merchandise trade had enjoyed and annual growth rate of 6.2 per cent over the previous two decades; and two-way investment between the trans-Tasman partners stood at A$97 billion. As the ties between the two economies have grown, ongoing dialogue has seen the gradual relaxation of investment restrictions. For example, most recently, the level at which a single foreign investment proposal is subject to screening by regulatory authorities has been raised to A$953 million for New Zealand investments in Australia and NZ$477 million for Australian investment in New Zealand (DFAT CER Ministerial

Forum Communiqué 2009). In Australia's case the size of the limit recognises that almost no project is rejected – a reason given by the Treasurer for the increase in the threshold. From the perspective of New Zealand the asymmetric thresholds reflect an acknowledgement of the different sizes of the two economies and the differential impact of any quantum of investment on either.

Australia and New Zealand (NZ) are both small to medium economies seeking greater economic openness and a greater accommodation of inflow of capital in the form of foreign direct investment (FDI). Greater economic openness creates challenges for nation states in terms of processes of economic and political adjustment as well as building capacity of public sectors to accommodate these flows while recognising the interests of all stakeholders. Since the implementation of the CER the significant growth in trade and investment has led to much greater integration of these two economies. While the effects of CER on trade and monetary issues have been well studied the implications of CER and the associated integration of the economies by means of FDI has attracted less attention. Discussion within New Zealand is increasingly centred on the prospect of a Single Economic Market (SEM); as yet such discourse does not enjoy the same wide currency in Australia. Nevertheless, both countries have similar concerns regarding their external economic relationships and confront similar dilemmas in monitoring and managing inward foreign direct investment. Strong similarities in their administrative and political traditions invite not only comparative analysis but the refinement of existing perspectives complemented by the study of differences.

The relationship between the two countries carries a regional significance, although the CER only approximates the degree of regional integration found in the agreements underpinning the European Union (EU). In fact the CER shares many of the characteristics of the looser associations of the Asia-Pacific region. Lane (2008) characterises integration in the Asia-Pacific as a situation where politics takes precedence over economics while contrasting this type of integration with that found in the EU. Whereas the CER lies in-between, placing a greater degree of emphasis on economic priorities than found in the Association of South East Asian Nations (ASEAN) but still open to political goals to strengthen broader relations between Australia and New Zealand. For example, CER does not have formal dispute resolution machinery, but rather relies on inter-governmental discussions and facilitation. In turn, the two countries attach a different weight to the importance of the CER and appear to be moving towards integration at different rates. Differences in size of the two economies mean that New Zealand often appears deeply integrated into the Australian economy while the converse is less apparent. For example, integration of the labour market is one of the more advanced aspects of the relationship: over 548 256 New Zealanders were residing in Australia in June 2009 (Department of Immigration and Citizenship 2010) while fewer than a fifth of that number of Australians are resident in New Zealand.

Theoretical framework for FDI

FDI practices lie on a series of fault lines between politics and business, foreign and domestic business and community interests. For example, neoclassical trade theory sees regulation as an impediment to the realisation of comparative advantage. Nevertheless states to greater and lesser degrees remain engaged in shaping the nature of domestic industries and regulation enabling or limiting engagement with international markets. If international businesses are seeking a frictionless world (Rugman 2008) such state involvement creates 'sand traps' at the boundaries between the activities of domestic and international business and between institutions of individual nation states. A concern of this paper is the extent to which the regulation of international capital in the form of FDI, or friction, at these boundaries is an obstacle reflecting transaction costs; an aspect of real politick, social and cultural factors; or a consequence of differences due to specificities of institutions and markets (Narula 2006: 150; Narula 2003).

The dominant model for understanding FDI behaviour, Dunning's ownership, location and investment (OLI) model, recognises the relative strength of each of these factors (Dunning & Narula 1996). In this model the firms seek to maximise their advantages in three broad areas of operations: either in ownership of "exclusive knowledge of a product or production processes"; location because of "some imperative [such as] tariff costs, transportation costs or local resources" which favour production outside a home country market (Walter & Sen: 180); or through internalising markets for intermediate products within the boundaries of the firm (Dunning 1988: 38). Such a model is grounded in seeking to explain the ownership patterns of internationalised production by firms. In the basic OLI model government action is associated with interventions through trade policy as the means of controlling the use of factors of production (such as natural resources and human capital development). More recent international business literature recognises the salience of FDI and its governance within states have been elevated in importance because of competition between states, especially less developed countries, for inward investment (Buckley 2004). Thus, in the past, locations were mainly defined or ranked by resource advantage, whereas institutions now have an enhanced role in the consideration of the relative attractiveness of competing locations (Buckley 2009).

Within literature on the nature of political economy and the role of government there is a much stronger recognition of the influence of government and government behaviour on the nature of FDI (Nelson 2009). This literature accommodates the interaction between exogenous and endogenous factors which shape FDI, such as those recognised in Dunning's framework. However, it places greater emphasis on the abilities of national governments to influence the volume

and mix of FDI flows. Within political economy literature, particularly that drawing on experience in developing states, there is recognition of the workings of the state as a form of organisation to enable the delivery of public goods, such as regulation of FDI (Cummings & Norgaard 2004; Chang 2004;). The focus on political economy stresses that institutional practices and regulations created and enforced by the state arise from interaction between the state, wider society and, in the case of FDI, domestic and international business (Sadleir & Mahony 2009). For example, the manner in which the state exerts its pre-eminence is through "national policies, legal conventions and norms of social and political behaviour over those of other groupings" (Grindle 1996: 8); and types of regulatory practices and the administrative procedures accompanying such practice (Braithwaite and Drahos 2000). In turn, such capacities both shape and are shaped by historical experience, economic circumstances, political preference, social conditions and culture. Focusing on institutions, practices and regulations provides an insight into the differences in the dynamics that shape such metagovernance capacities.

Methodology

Empirical and descriptive approaches offer only partial explanations of why there are differences in approaches to FDI between the close neighbours, Australia and New Zealand. There remain several puzzles and nuances in regulations that cannot be accounted for by the relative size of the two markets nor explanations related to stages of development or the structure of production within either country. The apparent commitment to open trade and investment, evident in both countries, makes these differences in approaches to FDI all that more compelling. To explore the reasons for the different experiences with the regulation of FDI we sought to define "rich substantial and relevant data" by the application of the approach of grounded theory (Charmaz 2006: 18). The inductive method is associated with the approach of Glaser & Strauss 1967). It allowed us to focus our data and to build an inductive theory "through successive levels of data analysis and conceptual development" (Charmaz 2008: 204).

To do this documents associated with CER over several decades were closely examined and interrogated. Given the extended history of the CER and that the relationship is well documented the topic was most amenable to the textual analysis, focused coding and derivation of emergent data and theory. Extensive and close scrutiny of the CER documents and communiqués saw the emergence of recurrent themes in the official texts and discussions related to CER, and the Single Economic Market between Australia and New Zealand. Themes and descriptors emerged by means of coding we applied to the data. The process generated both substantive theory specific to the empirical case of CER and formal theory that relates to more

general propositions associated with the regulation of FDI (Glaser & Strauss 1967: 32-35).

The data derived from examining the documents and the associated emergent theory are presented in Tables 1 and 2 below. However, before discussing these results we briefly review the mechanisms for the regulation of FDI in the two countries. In doing so we set out the context of the CER for each country, emphasising key principles related to the regulation for foreign direct investment found in the formal governmental institutions for this activity in Australia and New Zealand.

The CER and Institutions for FDI

An important facet of globalisation is integration of regional as well as global markets (Rugman 2008). In spite of the significant integration of the Australian and New Zealand markets the coordination of regulatory frameworks for FDI flows has proved more difficult. The apparent difficulties and hesitation in developing a uniform approach to FDI reflects a wide range of political, administrative, social, cultural and economic influences on governmental practice even in this case of two similar economies where there is overt political support.

The CER agreement does not include a specific chapter on investment, nor are there specific provisions on investment but it has facilitated cooperation between Australia and New Zealand on the issue of investment (Austrade 2009). Recently there has seen a more coordinated approach by the two governments in announcing the lifting of limits on inward FDI. However, the CER allows significantly larger Australian investments into New Zealand while avoiding parity between the countries in terms of the different thresholds for the review of FDI proposals in each country. The most likely reflects NZ sensitivities to the large takeover by Australian interests (Skilling 2007, Scott-Kennel 2004, Akoorie 1996) and the relative size of the two economies.

Liberalisation of FDI by Australia and New Zealand is best seen as evolving within an international context emphasising increasing economic benefits, including greater efficiency, from enabling freer flows of capital, particularly FDI (Okamoto 1996). However, claims as to the potential gains to economic efficiency of FDI have had to confront popular concerns in both countries and the distinctive regulatory frameworks in both countries reflect such concerns. Both adopted projects to deregulate and liberalise their economies from the 1980s and faced some opposition or at least reluctance to such policies from elements of their domestic polity (Castles, Curtin & Vowles 2006). Opposition to FDI was associated with the special position of agriculture in the economy, the issue of land access and land rights; maritime, coastal and lakeshore issues in New Zealand and Aboriginal and Torres Strait Islander land rights in Australia. These specific characteristics, with an intensity of

feeling and political impact that varies across the Tasman, highlight the difficulties of any wider regional or multilateral liberalisation of investment. Support for free capital mobility under any regulatory regime needs to recognise individual country differences, cultural specificity and context. Nevertheless, CER has seen a degree of institutional coordination across the Tasman in areas such as company law and competition policy and to some extent in taxation and social security policy. In all these areas, it is fair to say, that progress toward coordination, let alone uniformity has been gradual. However, mutual goodwill is clear: "In the spirit of CER, Australia and New Zealand have agreed to avoid to the fullest possible extent the imposition of new restrictions on investors and have confirmed that trans-Tasman investment should be subject to minimum constraint" (Austrade 2009).

However, on both sides of the Tasman, government agencies pursue objectives guided by the policies of their governments. In New Zealand Overseas Investment Office (OIO) replaced the Overseas Investment Commission (OIC) in 2005. The move from the OIC, which was administratively part of the Reserve Bank of New Zealand, to the OIO, which operates within Land Information New Zealand, recognizes the evolution of FDI regulation. Applications for consent from overseas persons who want to invest in sensitive New Zealand assets are subject to assessment by the OIO. The shift in portfolio responsibility for the FDI screening function recognised the evolution of FDI regulation from concerns related to foreign exchange to the reality that the majority of applications had to do with land acquisition or change to land use.

In Australia, the Foreign Investment Review Board (FIRB), within the Treasury examines proposals by foreign interests to undertake direct investment in Australia and acts in an advisory capacity to the Treasurer. Its recommendations are based on whether proposals are suitable for approval under the Government's policy. Such a capacity emerged from debate in the mid 1960s and early 1970s in Australia on how to respond to growing inflows of investment, whilst protecting national interests. Such national interests were seen at times to be the need to restrict foreign ownership of agricultural land and mining rights. The FIRB is at times seen as lacking in transparency because of the emphasis on "national interest" criteria and considerable limits as to the kind of information it can provide publicly. However, the Board does perform an important function as the focal point for decision making on FDI proposals at a national level. While much of the advice it provides is to the senior minister responsible for foreign investment decisions, the Treasurer, is not in the public domain it serves a crucial function in providing a means for scrutiny and review within government of FDI proposals.

An Emergent Theory of Regulation of FDI under CER

The interrogation and analysis of the documentation and discussion related to CER saw a wide range of themes emerge. Synthesising the results of the two

country comparison shows that Australia and New Zealand have both pursued policies of economic openness while developing and maintaining regimes to regulate the nature of foreign investment. In turn, there are a range of factors mediated by the working of the national government in both countries which shape each country's willingness and ability to absorb foreign investment. These factors are set out in Table 1 with an assessment of the impact of those factors on aspects of regulatory behaviour around FDI.

For example Table 1 sets out the practices arising from the interaction between cultural norms (which both support and work against greater economic integration) and the institutional or metagovernmental adaptations made by governments in New Zealand and Australia. Such practices define approaches to specific regulatory activity on foreign direct investment.

Table 1
Tone and Substance of FDI Regulation in Australia and New Zealand

	NORMS			
	Openness	**Indigeniety**	**Identity**	**Equity**
Australian FDI regulations[1,3]	Security: concerns to restrict access to strategic materials Ambivalent position on nuclear energy	Land rights: concerns with native title	Languages of regulation: legal and economics	Government administrative practice: codified practices of review for inward FDI.
	National Interest: Evolving interpretation	Rents to native title: not guaranteed but negotiated	Human rights issues: Native/land issues. Multicultural strengths/assets	Legal systems: supportive
	Nationalism: both overt and muted		`Fair go' to local entrepreneurs in face of global giants	Company laws: move to uniformity across sub-national levels of government
	National autonomy : pursuing economic openness but willingness and capacity to assert independence		Areas where strict FDI controls apply due to perception of national identity: agricultural land,	Management and business practices: international business operating in Australia subject to domestic policy and

			residential land	laws
New Zealand FDI regulations[2,3,4]	Security: food security, food quality/purity/green Anti-nuclear consensus	Land rights: Maori Treaty, codified, right for rents to Maori – guaranteed	Language of regulation: Tension between economic and NZ identity	Government Administrative practice: codified practices of review for inward FDI
	National Interest: Emphasis on `sensitive' New Zealand Assets		Settler society emphasising centrality of exportable, small scale agricultural production	Legal systems: supportive
	Nationalism: protective of small state	Maori land issues	Some commercial enterprises out of bounds: e.g. Auckland Airport, Air NZ	Company laws: selective protection provided by cooperative structures (e.g. Fronterrra)
	National autonomy: pursuing economic openness but willingness and capacity to assert independence		Areas where strict FDI controls apply due to perception of national identity: agriculture, foreshores of lakes and maritime	Management & business practices: international business operating in NZ subject to domestic policy and laws

Sources:

1 Foreign Investment Review Board Annual Reports, (1995-96 to 2008-09); Sadleir and Mahony 2009; Sadleir 2007

2 Overseas of Investment Office, Land Information New Zealand, http://www.linz.govt.nz/overseas-investment/; Ministry of Foreign Affairs and Trade, The Australia – New Zealand Closer Economic Relationship, 2005, www.mfat.govt.nz

3 Department of Foreign Affairs, Australian Government, CER Joint Ministerial communiqués, various 2003 – 2010.

4 Lloyd 1991, 2002; Akoorie 1996; Ministry of Economic Development Review of Investment New Zealand 2007.

Comparing points of commonality and divergence between the two systems shows four major categories which we identify as openness, indigeniety, identity, and equity. The category "openness" combines concepts of security, national interest, nationalism and national autonomy. Attitudes embedded in the institutional architecture governing the treatment of each of these concepts determines the degree of openness each state brings to bear in making decisions on FDI in general and on specific proposals for FDI projects. For example, both countries have defined economic openness as a key policy to pursue and this is reflected in the relative openness to FDI flows in both countries. Political and institutional commitments to laws on FDI are generally supportive of the internationalisation of domestic economic activity. Foreign owned business operating in domestic markets in Australia and New Zealand are subject to the same laws as domestic business operating in these markets; and both countries restrict some forms of foreign investment in ensuring that perceptions of national identity are respected. Thus, openness, and a nuanced understanding of how it is made operational, is a trait shared across both systems.

However, there is greater divergence in the areas labelled indigeniety, identity, and equity. "Indigeniety" refers to the significance and value placed on the recognition and accommodation of the rights of indigenous peoples in the regulation of FDI. Here we use the degree to which the principle of prior indigenous ownership of land is recognised and the willingness of the state, and its laws, to compensate indigenous owners for alternative uses of that land. In the case of Australia and New Zealand, NZ shows a stronger approach to both acknowledging prior indigenous ownership of the land and well established means of accommodating the concerns of the Maori people in decisions on land use and fair compensation through the state for changes in land use related to specific FDI projects. "Identity" refers to views and attitudes of those in the general population of each state, based on languages of regulation (more or less emphasis on economics and legality as opposed to generally accepted norms for land use or industry) the degrees of emphasis placed on the acceptance of general human rights; and subsequent constraints or restrictions on types of FDI. Last, "equity" captures the degree to which institutional arrangements seek to balance international investor interests against those of domestic concerns. For example, are foreign investors treated in different ways from domestic interests and if so why? Given the emphasis on the fair go in both Aust and NZ both systems have oscillated from a strong emphasis on privileging domestic interests through controls on ownership to the contemporary of approach of placing domestic and foreign firms largely on the same legal footings.

In each of these three areas there are striking divergences in consequences for the cultural and social protections incorporated into each country's approach to FDI regulation. For example, NZ maintains much stronger commitment to directly

enabling the protection of indigenous rights in terms of land use and coastal resources by Maori. In contrast, Australia places the onus is on indigenous groups seeking surety over land tenure to negotiate agreements on native title. Thus, while both countries are committed to greater harmonisation of FDI regulation, social and cultural factors present a challenge for both countries in the achievement of this policy goal. This also extends to the recurring challenge in both systems of the relative transparency of the screening process.

The importance of these categories is that they identify the social and political constraints that are embedded within the rules for determining or testing specific foreign investment proposals. For example, in New Zealand there remains a protective attitude evidenced by a five hectare maximum on land acquisition before it is reviewed by the OIO. Even with this minimum, the prospect of land consolidation and issues of control, environmental concerns are common. Among the justifications for maintaining the five hectare trigger for the review of proposal is that rural land has traditionally allowed roaming for walkers and this may not be respected by incoming owners. Similar examples arise in Australia such as where local concerns have shaped regulatory controls on FDI on mining; the recognition of the land rights of indigenous communities; and most recently the rules and conventions regarding prudential supervision to ensure the stability of the financial system.

Emerging from the review of the Australian and New Zealand approaches to FDI is the importance of recognising norms as a key mediator of government intent. Government intent in this context is best understood as a stated commitment to a set of public policy objectives underpinned by a specific political philosophy or ideology. An example of such a position, relevant to experience in Australia and New Zealand, is a commitment to free trade and capital mobility. In terms of metagovernance, the intervention of governments into this regulatory space brings authority to make regulation, but also brings in a set of embedded norms which limit and constrain the use of the regulations.

The dyadic relationship between norms and constraints drives the nature of policies on foreign investment in these closely related economies and the interchange between the two economies. Table 2 demonstrates this interaction: for example in Country A, the intent of its government is necessarily moderated by the accepted social norms and practices of Country A, generating different forms of institutions, practices and regulation. Such localised forms of metagoverance, means that we observe differentiated engagement with FDI between countries.

Table 2

Norms and Government Intent: the Emergence of Institutions, Practices and Regulation

	Norms	
Government Intent	Country A Institutions, Practices and Regulation	Country B Institutions, Practices and Regulation

Implications of the Model

The model set out in Table 2 implies institutions, practices and regulation will filter foreign investment decision making and thus shape the volume and composition of such investment. It is an iterative process where the actual type, size, source and timing of FDI will impact on government intent. As argued above the decisions on investment proposals made by governments and the frameworks of laws created by governments highlight underlying norms. These are most evident where that intent is challenged or modified.

Applying this to the case of the CER shows that the melding of two sets of institutions into one as might be intended under CER (and broader bilateral and regional trade agreements) appears a task faced with considerable difficulties. This research shows that while there is a commitment to work co-operatively, significant challenges remain in more closely integrating the FDI regimes of two nations.

While it would seem obvious that different norms are apparent in two countries it is important to investigate the implications of those differences. In the case of Australia and New Zealand these differences explain why the CER marks only a gradual progression towards economic integration. Where regional arrangements are successful, or growing in importance, they are accompanied by

regional or supranational arrangements which enable the resolution of conflict between norms and the subsequent harmonisation or reshaping of institutions, practices and regulations across different jurisdictions.

The sand trap at the national border where international investment runs into domestic institutional arrangements provides both a source of conjecture and a laboratory for examining experience at the interface between business and government. There are mixed views internationally on this. As a general rule international business expects only a minimalist role for national governments in the area of FDI regulation (Salai-i-Martin 2009). On the other hand, experience in the transition economies in Eastern Europe show the necessity for there to be some form of regulation to enable consideration and responsiveness to national circumstances to be recognised and, at times, protected (Bohle & Greskovits 2007).

In the case of both Australia and NZ while there is a commitment to greater harmonisation of trans-Tasman investment laws, such laws and the political autonomy to establish such laws, are unlikely to be traded off in the near future. This experience suggests harmonisation in FDI laws and practices in the Asia Pacific region should be monitored for progress. An outcome of this paper is a framework which enables better scrutiny of current regimes and their potential for transformation. The schema identifies factors which contribute to the complexity faced by states with open economies. Exploring the nuances of this apparent complexity suggest possibilities for better developing state capacity to manage or mitigate the effects of engagement with processes of globalisation. The schema suggests that testable hypotheses can be generated to evaluate processes of engagement with foreign investment. One clear candidate for a testable hypothesis is the observation that *variance in inward FDI practices between countries is related to the degree of transparency regarding decision making on, and attitudes, to sensitive national or cultural issues.* For example, the differences in the treatment of native title in Australia and the rights of Maori regarding land tenure and use in New Zealand suggest an area for developing test of this hypothesis in future research.

The inductive model developed here could be applied and extended beyond the example of a two country relationship to include a range of countries. For example, regional relationships and regionalism are increasingly offering new opportunities and challenges for academics and policy makers. Applying the model developed here to a wider range of countries offers promise for analysing the prospects of greater regional co-operation.

Conclusion

Despite the CER both Australia and New Zealand continue to respond to domestic economic and political contingencies in their management of FDI. Both had projects to deregulate and liberalise their economies from at least the 1980s onwards and faced some opposition or at least reluctance to such policies from elements of the domestic polity. Opposition to FDI was based on collectivist motives, nationalism, and identity associated with the special position of agriculture in both economies. In turn, there are significant differences between Australia and New Zealand concerning land access and land rights - maritime, coastal and lakeshore issues in NZ and land rights in Aboriginal Australia. Such differences provide a basis for further developing a line of research into this area and it relationship to FDI performance in both countries.

In this paper an attempt has been made to explore the CER and the processes around that agreement in order to develop theory to help in understanding of the relationship between FDI and the governance arrangements in the two countries. Even with two countries which share similar histories and political institutions, and close economic and cultural ties, it is has been shown that there are significant differences that are reflected in approaches to and the treatment of inward FDI. More broadly this experience suggests that the liberal ideal that international capital mobility, as a natural complement to trade liberalisation, can be advanced in the wake of the success of trade liberalisation needs to be advanced with some caution. Its realisation at times appears constrained by social and political obstacles as well as obfuscation on the part of politicians. The case for its implementation needs to be clearly made especially at a time when outside the happy isles of Australia and New Zealand the advent of international financial crisis provokes greater opposition to a more highly integrated global economy. However, even under the most benign global economic environment the supporters of free mobility of capital, in the form of FDI, will still find that implementation of a frictionless world for transnational capital cannot easily be achieved.

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