

PACIFIC TRADE: PACER-Plus trade agreement in the Pacific

Australia and New Zealand have long been encouraging neighbouring island governments to adopt greater trade liberalisation and to further integrate their economies into a single regional market. In August 2001, Pacific leaders met in Nauru and signed two regional trade agreements: the Pacific Islands Countries Trade Agreement (PICTA) and the Pacific Agreement on Closer Economic Relations (PACER).

PICTA promotes inter-island trade between Forum island countries, excluding Australia and New Zealand. PACER itself is not a free trade agreement - it simply sets out the framework for the negotiation of such an agreement between all member countries of the Pacific Islands Forum, including the two largest regional powers. But now, the governments of Australia and New Zealand are urging Pacific governments to actually begin negotiations for the regional free trade agreement, dubbed PACER-Plus. With the Australian government pushing to start negotiations in 2009, what will this mean for workers, community organisations and indigenous communities around the islands region?

Rushing to negotiations

The June 2009 Forum Trade Ministers Meeting, held in Apia Samoa, agreed to recommend to Forum leaders that negotiations on PACER-Plus should start soon after the August 2009 Forum leaders meeting. But this rush to start formal negotiations goes against an earlier timetable for negotiations mapped out by Pacific island governments. Pacific community groups are concerned that governments are rushing into negotiations on PACER-Plus without addressing a number of conditions:

Finish negotiations with the EU: The Pacific should have ceased trade negotiations with the European Union over an Economic Partnership Agreement (EPA) before starting on PACER-Plus. These EU-Pacific negotiations were supposed to be completed by December 2007, but are still underway. Only PNG and Fiji have initialled Interim EPAs, and the regional agreement is still a way off. With limited capacity to cope with complex trade deals and the Doha Round of global trade negotiations still unfinished, small Pacific governments have been urging caution before entering a new round of complex trade talks.

Establish and fund the office of the Chief Trade Advisor: Pacific governments want technical support for the PACER negotiations, and have proposed establishing an Office for a Chief Trade Advisor (OCTA), to be based in Vanuatu. But the office needs guaranteed funding and staffing before talks commence. Australia has offered some trade training and a limited amount of funding for the OCTA. However Australian officials have also resisted the

establishment of the Vanuatu-based office, and even argued that island nations should not seek funding from other donors to fund the office! Australia has pressed island nations to base the OCTA at the Forum Secretariat in Suva – where an Australian official is likely to take over the Economic Governance program.

With Australia training island negotiators and trying to limit the mandate and capacity of the OCTA, the independence of the office may be compromised: many Pacific officials believe that negotiations should wait until a regional office for a Chief Trade Advisor has been fully established.

National Consultations before the start of negotiations: Australia's Trade Minister Simon Crean, opening the February 2009 Trade officials meeting noted: "this process requires engagement right across the community: at the political level, with officials, and with civil society organisations in the Pacific, to ensure that all views are taken into account in an appropriate and effective way as PACER Plus proceeds."

But rushing into negotiations does not take account of the range of views of trade liberalisation in the community. Any 'trade' agreement which covers trade in goods, services and foreign investment must involve preparation with a range of business, community, union, church and other non-government partners. There is a particular need to look at the gendered impact of trade liberalisation in the Pacific, and the way that public sector reform and foreign investment in key industries will affect women's employment in the wage sector.

The Pacific island governments' Roadmap suggests that national consultations should be undertaken in each country before negotiations, to map out the range of issues that affect business, workers and the community sector. However Australia and New Zealand are pushing for negotiations to start before these consultations are properly underway.

Who benefits from increased trade?

Any regional free trade agreement that covers trade in goods, services and foreign investment needs detailed research studies on different sectors and industries that will be affected by greater trade liberalisation – yet very few studies have looked at specific industries or sectors that will come under PACER-Plus.

Australian Trade Minister Simon Crean has cited July 2008 research published by the Institute for International Trade in Adelaide, claiming a 30 per cent increase in regional trade under PACER-Plus. But this research did not say in which *direction* that increase in trade would be. As Pacific countries already have 'duty-free and quota-free' access to Australia and NZ markets for most of their products, it seems that much of this increase would be an increase in Australian and NZ exports to the Pacific, as tariff barriers and import duties are removed.

There is a pressing need to research whether PACER-Plus would provide increased market opportunities in Australia and New Zealand for agricultural products from the Pacific, or whether existing Rules of Origin and health and quarantine restrictions will continue to hamper Pacific exports (as with the current Australian bans on the importation of commercial quantities of kava, for "public health" reasons).

Trade in services

As negotiations have deadlocked with the WTO Doha Round, developed countries are seeking to advance their agenda on issues like investment and government procurement through regional trade negotiations. PACER-Plus will cover trade in services and intellectual property as well as goods, which means that a range of sectors will be affected: health, education, tourism, retail shops, land, traditional medicines and other issues.

Pacific governments want greater access for their workers to the Australian and NZ labour markets, and are willing to negotiate on services issues if labour mobility is included in the agreement. But in the unlikely event that Australia and New Zealand make binding commitments to allow in lower skilled workers, the growth of temporary and seasonal worker schemes raises important questions of labour rights and social impacts.

Questions over privatisation

There are real questions about whether donor policies on public sector reform and privatisation of essential services will benefit the poorer members of Pacific communities. AusAID research argues without evidence "the economic benefits of services liberalisation for low income consumers...are well documented generally" (Institute for International Trade, p10, No.34). But the decision to promote private sector control over public utilities across the Pacific is controversial, especially in small states where there is limited opportunity for competition between providers and limited regulatory capacity to ensure that private operators meet basic community obligations.

The policies advocated by AusAID, NZAID and the Asian Development Bank (ADB) raise real concerns about equity and economic justice. A 2009 AusAID-funded ADB paper on reform of State Owned Enterprises (SOEs) advocates the introduction of user-pays charges and full cost recovery for vital public services like water and electricity, which will disadvantage poor people in squatter settlements and villages around the region. Trade in services commitments would lock those in, so they can't be reversed in the future.

In the Pacific, community groups, churches and trade unions are beginning to debate the implications of PACER-Plus. In Australia and New Zealand, we can join in this debate, looking at the impact for our communities, and alternatives to the free trade model being promoted by governments and donors.

Find out more:

- Jane Kelsey: *A People's Guide to PACER: The Implications for the Pacific Islands of the Pacific Agreement on Closer Economic Relations (PACER)* (Suva: Pacific Network on Globalisation, 2004).
- Institute for International Trade (University of Adelaide). *Research Study on the Benefits, Challenges and Ways Forward for PACER Plus – Final Report* (Institute for International Trade, 2008).
- Nathan Associates. *Pacific Regional Trade and Economic Cooperation: Joint baseline and gap analysis*. (Nathan Associates, December 2007).

This fact sheet is the second in a series produced by the Australian Civil Society Network on Pacific Trade, which links unions, churches and non government organisations. For further information, contact the network at pacifctrade@gmail.com