

## 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. In August 2009, Forum leaders agreed to commence negotiations for the regional trade agreement, dubbed PACER-Plus.

### **Background to PACER-Plus negotiations**

PACER-Plus is envisaged as a comprehensive agreement that seeks to liberalise trade in goods, services and investment, as well as improve trade and investment facilitation and economic cooperation measures. With Australia and New Zealand being major donors to the region and representing the primary source of imports for 10 of the 14 Pacific islands countries, PACER-Plus is likely to have wide-ranging and lasting implications for Pacific island economies and communities.

In the lead up to the Pacific Islands Forum leaders' meeting in August 2009, Pacific islands leaders reiterated their need for more time to consider the implications of PACER-Plus, including conducting national consultations prior to the launch of negotiations.

In spite of clear statements from some leaders that they need more time to prepare for negotiations, the Forum leaders' meeting agreed to commence PACER-Plus negotiations "forthwith". In October 2009, Forum trade officials and ministers met in Brisbane to discuss the framework for PACER-Plus negotiations, including timelines, identification of issues and the Office of Chief Trade Advisor (OCTA).

**Timelines:** While the outcomes of an earlier Forum Trade Ministers Meeting (June 2009) in Apia, Samoa, indicated that negotiations be completed within 2, 3 or 5 years, no definitive decision was made on negotiation timelines at the October meeting. Importantly, the October meeting agreed that "national consultations are essential" and noted that "these consultations will be wide-ranging and include many communities and stakeholders".

Earlier this year, Pacific governments put forward a road map for negotiations suggesting a phased approach, which guaranteed at least 18 months for national consultations to map out the range of issues that affect businesses, workers and the community sector. Meaningful consultations are fundamental to informing debate around the potential implications of PACER-Plus and also to determine what sort of trading and economic arrangements would be in the best interests of Pacific island countries and communities.

**Identification of issues:** The October 2009 meeting identified a number of common priority issues including Rules of Origin, labour mobility, development assistance and trade facilitation measures. Assistance to Pacific island nations in these areas can contribute to improving trade opportunities for Pacific island nations. However, there are considerable risks if such support is made contingent on Pacific island countries signing a reciprocal free trade agreement that obliges Pacific island nations to give up policy flexibility and liberalise their trade in goods, services and investment.

**Office of Chief Trade Advisor:** Recognising the need for technical support for PACER-Plus negotiations, Pacific governments proposed that an Office of Chief Trade Advisor – independent of the Forum Secretariat – be established prior to commencing negotiations. However, Chris Noonan, the chief trade advisor was only appointed at the October meeting, and will initially be based at the Forum Secretariat, pending the establishment of an independent office in Vanuatu.

While the Australian and New Zealand governments are providing some funds for OCTA, this is insufficient for OCTA to carry out its mandate as envisaged by Pacific island countries. Of concern have been earlier reports that Australia and New Zealand have tried to

influence the role and mandate of OCTA, potentially compromising the independence of the office. It is important that Pacific island countries are allowed to determine for themselves how they want to be represented during negotiations, including determining the governance structure and mandate of OCTA.

### **Who benefits from increased trade?**

Any regional free trade agreement that covers trade in goods, services and foreign investment requires detailed research 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, to name a few.

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 important 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 that "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.

Some of 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. They are looking at alternatives to promote trade and development in the region without a comprehensive free trade agreement. In Australia and New Zealand, we can join in this debate, looking at the impact on both Pacific and Australian communities, and exploring 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)* (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).
- Oxfam Australia and Oxfam New Zealand. *Pacer Plus and its Alternatives: Which way for trade and development in the Pacific?* (Oxfam Briefing Paper, July 2009)
- Pacific Network on Globalisation. *New Trading Arrangements with Australia and New Zealand: What Options for Development?* (PANG, October 2009)

*This fact sheet is one 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 pacificttrade@gmail.com*