

PACER-Plus: Free trade in the Pacific?

Australia and New Zealand have long encouraged neighbouring Pacific Island Countries to adopt “free trade” and further integrate their economies into a single regional market. This is part of the neo-liberal consensus that has dominated global economic policy for 30 years.

In 2009, the governments of Australia and New Zealand convinced the Pacific Island governments to commence preliminary negotiations for a regional free trade agreement called PACER-Plus. The talks are led by Australia and New Zealand and involve fourteen developing Pacific Island nations, of which five are designated as Least Developed Countries by the United Nations.

According to the Pacific Island Forum Ministers, PACER-Plus should be more about development than trade. However, many of the Pacific Islands already have zero tariff access to Australian markets under previous trade agreements, and it is unclear whether any benefits of signing on to the agreement will outweigh the costs for the island nations.

Pacific Island civil society have many concerns about the impact of PACER-Plus on areas like labour mobility, intellectual property rights, access to medicines, nutrition and food security, and access to essential services like health care.

Threats to service provision

Many Pacific Island governments are already struggling to provide public services like health, education, water, police and emergency services.

Taxes on imported goods (often luxury goods) are an important source of revenue to fund these services. A report commissioned by the Pacific Islands Forum Secretariat found that tariff reductions proposed under PACER-Plus would mean that Vanuatu and Tonga could lose up to 17% of their annual government revenue, while Samoa and Kiribati stand to lose around 14% of their revenue¹. This would have a disastrous impact on both public services and employment levels. Other research predicts that if tariffs were substantially reduced, up to three quarters of Pacific manufacturing would close down, leading to unemployment for thousands of workers².

Including services in the PACER-plus agreement means that services would operate on a purely commercial basis. This could restrict the government’s ability to



provide and regulate essential services, like water, for everyone - including those who are on low incomes or in remote areas.

AFTINET believes that Australia should concentrate resources on opening up a new process with the Pacific Island states to achieve development goals, in the framework of the Millennium Development Goals.

Labour mobility – People are not a commodity

AFTINET is concerned about pressure to include labour mobility arrangements in the PACER-Plus agreement. Pacific Island states strongly support programs for temporary migrant workers to access jobs in Australia and New Zealand. Pilot programs have begun in agriculture and other sectors, which exist outside the trade agreement framework.

AFTINET opposes the inclusion of labour mobility chapters in any trade agreement. Unlike goods and services, employees are not commodities. Trade agreements are inflexible and do not have clear protections for workers’ rights. Any temporary migrant labour programs should be made by separate government agreements which explicitly protect the rights of temporary workers and prevent exploitation based on International Labour Organisation Conventions as well as domestic labour laws, and be part of a wider development program to increase local employment and training opportunities in the Pacific Islands.

AFTINET urges that any temporary labour programs be developed in the framework of development, not trade, and is concerned that any inclusion of labour mobility in PACER-Plus could be used as a bargaining chip by Australia or New Zealand for their benefit.

Capacity and research constraints

In addition to the PACER-plus negotiations, the Pacific Islands are engaged with several international negotiations. Many Pacific Islands have very limited financial and human resources, particularly with limitations on the operations of the OCTA.

While Australia has pressed for speedy negotiations, many Island governments have wanted more time for capacity building, research and consultation.

Any regional free trade agreement needs detailed research on different sectors and industries that will be affected by greater trade liberalisation. Yet very few studies have looked at the effect PACER-Plus would have on diverse areas like indigenous rights and women's rights, provision of essential services, land rights, public sector employment, manufacturing, fisheries, labour mobility and remittances.

Research is vital on whether PACER-Plus would provide increased market opportunities for agricultural and manufactured products from the Pacific Islands, or whether existing Rules of Origin, health and quarantine restrictions will continue to hamper exports.

The Australian Productivity Commission's Report of 2010 documented the problems Australia has experienced with free trade agreements whose benefits were overestimated, while their costs were underestimated. Such agreements for the much smaller and more vulnerable Pacific nation economies could be a social, economic, developmental and environmental disaster, which would do nothing to address the urgent problems they are already experiencing from rising sea levels caused by climate change.

AFTINET believes that negotiations must not result in an agreement that impedes the ability of governments in the Pacific to implement human rights to the highest attainable standards of health, education, housing, labour rights and democracy.

PIF: Pacific Islands Forum comprises Australia, Cook Islands, Federated States of Micronesia, Fiji, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, Republic of Marshall Islands, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu

PICTA: Pacific Island Countries Trade Agreement. Promotes inter-island trade between PIF countries, excluding Australia and New Zealand (Signed 2001)

PACER: Pacific Agreement on Closer Economic Relations (2001). Encourages economic integration in the region and sets out a framework for trade for the Pacific Islands Forum

PACER-Plus: Free trade agreement under negotiation pushed by Australia and New Zealand and involving all members of the Pacific Island Forum (Negotiations began 2009)

Current Australian policy unclear

An important step to help address some capacity constraints for the Island governments was the appointment of an independent Office of Chief Trade Adviser (OCTA). The current Chief Trade Adviser, Dr Edwini Kessie, has emphasised the importance of effective consultations so that the parties enter the negotiations fully aware of their constituents' interests, concerns and expectations. He added that consultations needed to be a "meaningful exercise to identify, prioritise and articulate individual needs of countries".

With the election of a new Coalition government this year the policy on PACER-Plus is unclear, but they have indicated that bilateral or quadrilateral agreements could be pursued with Pacific Islands and also emphasised a focus on aid for trade.

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Notes

1. Nathan Associates, 2007. Pacific Regional Trade and Economic Cooperation – Joint Baseline and Gap Analysis. Pacific Islands Forum Secretariat, November 2007
2. Institute for International Trade, Adelaide University, 2008, Research Study on the Benefits, Challenges and Ways Forward for PACER Plus – Final Report, p.85

Conclusions

AFTINET calls on the Australian government to call a halt to PACER-Plus negotiations, and to focus its resources on development rather than trade negotiations. If negotiations do proceed, the Australian government should:

- ensure that the Pacific Islands have adequate resources for negotiations and time for thorough consultations with their communities
- assist by providing resources for studies of the social impact of trade proposals
- oppose the inclusion of labour mobility arrangements in trade negotiations
- ensure the agreement does not hinder provision of essential services for vulnerable people

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