



**Submission on behalf of AID/WATCH to the  
Department of Foreign Affairs and Trade  
regarding the Pacific Agreement on Closer  
Economic Relations (PACER-Plus)**

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## Introduction

AID/WATCH welcomes the opportunity to make this submission to the Department of Foreign Affairs and Trade (DFAT) regarding PACER Plus.

As an independent not-for-profit organisation which has been monitoring, researching and evaluating Australia's overseas aid and trade programs and policies for 15 years, AID/WATCH recognises the important role that trade can play in promoting sustainable development and facilitating poverty alleviation. AID/WATCH also believes that in order to reach those goals a fair trading system is required that is built on principles of economic justice, ecological sustainability, and democratic accountability. AID/WATCH is concerned that the current movement towards free trade and market-driven regional integration continues to prioritise liberalisation of trade in goods, service and investment at the expense of local development, protection of the environment and human rights.

Faced with increasing calls for regional integration and time bound trade liberalisation from their major donors, trading partners and multilateral institutions, Pacific Islands Forum Countries (FICs) are involved in various stages of trade agreement negotiations, including PICTA, Economic Partnership Agreement with the European Union, and PACER Plus (with Australia and New Zealand).<sup>1</sup> PACER Plus will require reciprocal liberalisation of FIC trade with their largest regional neighbours,<sup>2</sup> hence will have significant ramifications for FIC economies and communities.

This submission outlines key concerns that AID/WATCH has regarding PACER Plus. In particular it focuses on:

- Risks of PACER Plus
- Australia's engagement with FICs and role in PACER Plus

## Risks of PACER Plus

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.<sup>3</sup> With Australia or New Zealand representing the primary source of imports for 10 of the 14 Pacific Islands Forum countries,<sup>4</sup> PACER Plus is likely to have wide-ranging and lasting implications for Pacific Island economies and communities.

Various studies and reports have pointed to the potential impacts that PACER Plus will have on the Pacific Islands.<sup>5</sup> These include, but are not limited to:

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<sup>1</sup> Pacific Institute for Public Policy (2008) *Facilitating better trade outcomes for Pacific island countries*, Briefing Paper 5, December. <http://www.pacificpolicy.org>

<sup>2</sup> Institute for International Trade (2008) *Research Study on the Benefits, Challenges and Ways Forward for PACER-Plus*, June, p.1. [www.iit.adelaide.edu.au/docs/Final%20PACER%20Report%2012\\_06\\_08.pdf](http://www.iit.adelaide.edu.au/docs/Final%20PACER%20Report%2012_06_08.pdf)

<sup>3</sup> PACER Plus Joint Road Map (June 2009), para 13. [http://www.trade.gov.sb/doku.php?id=pacer\\_plus\\_roadmap](http://www.trade.gov.sb/doku.php?id=pacer_plus_roadmap)

<sup>4</sup> Nathan Associates (2007) *Pacific Regional Trade and Economic Cooperation: Joint baseline and gap analysis*, December, p.vi.

<sup>5</sup> For example, see: Braxton, N et al (2009) *PACER Plus and its Alternatives: Which way for trade and development in the Pacific?* Oxfam Australia and Oxfam New Zealand, July; Kelsey, J (2004) *A People's Guide to PACER – The implications for the Pacific Islands of the Pacific Agreement on Closer Economic Relations*

- ❖ ***Undermining a key source of revenue for Pacific governments through the removal of tariffs.*** Tariffs are an important source of government revenue for many Pacific Island countries. A 2007 report commissioned by the Pacific Islands Forum Secretariat indicates that with the removal of tariffs on Australian and New Zealand imports under PACER Plus, Fiji, PNG, Samoa and Vanuatu stand to lose at least \$10 million dollars in annual government revenue; while other countries such as Cook Islands, Kiribati, Samoa, and Tonga stand to lose at least 10 per cent of their annual government revenue.<sup>6</sup>

There are questions over whether FIC governments will be able to recover the loss in revenue arising from tariff elimination through other means. According to a 2005 International Monetary Fund Working Paper, low-income countries have on “average recovered no more than around 30 cents of each lost dollar,” through alternative taxes such as value-added tax.<sup>7</sup>

For a number of FICs, the predicted loss of revenue is equivalent to a significant portion of, or in some cases greater than, their entire education or health budgets.<sup>8</sup> Loss of government revenue may mean governments cutting spending on services. A recent joint report by AusAID and NZAID on the FICs reaffirms that cutting expenditure on core services such as health, education, and basic infrastructure will reduce access to these essential services with potential long-term adverse impacts that further constrain national development.<sup>9</sup>

- ❖ ***Closure of local businesses and loss of jobs.*** Few Pacific businesses or producers are ready for open competition with Australian and New Zealand companies or imports. The rapid liberalisation of Pacific markets could lead to closure of businesses, loss of already limited employment opportunities, and inhibit the development of future industries in the Pacific.<sup>10</sup> Dr Wadan Narsey, Economics Professor at the University of South Pacific, predicts that PACER Plus will lead to the closure of about 75 per cent of Pacific manufacturing, resulting in the loss of thousands of jobs.<sup>11</sup>
- ❖ ***Loss of policy space for Pacific Island governments.*** Obligations under PACER Plus will potentially limit the policy choices and instruments Pacific governments can pursue to develop their economies such as favouring local firms and suppliers, and regulating provision of services in the public interest. UNCTAD’s 2007 Trade and Development report states that FTAs can hinder or harm poor countries’ development options and policies, noting that “if

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(PACER). Pacific Network on Globalisation; PANG (2008) *Making Waves: Informing civil society responses to free trade in the Pacific*. Pacific Network on Globalisation. Suva, Fiji;

<sup>6</sup> Nathan Associates (2007), Op cit. 4

<sup>7</sup> Thomas Baunsgaard and Michael Keen (2005) *Tax Revenue and (or?) Trade Liberalization*, International Monetary Fund Working Paper 112, June, p.22.

<sup>8</sup> Braxton, N. et al (2009) *PACER Plus and its Alternatives: Which way for trade and development in the Pacific?* Oxfam Australia and Oxfam New Zealand, July, p.15.

<http://www.oxfam.org.nz/resources/onlinereports/pacer%20plus%20and%20its%20alternatives.pdf>

<sup>9</sup> AusAID and NZAID (2009) *Surviving the global recession: strengthening economic growth and resilience in the Pacific*, August. <http://www.ausaid.gov.au/publications/pdf/Aust-NZ%20GR%20small.pdf>

<sup>10</sup> Braxton, N. et al (2009) Op cit. 8, p.13.

<sup>11</sup> Institute for International Trade (2008) Op cit. 2, p85.

future North-South FTAs are modelled on those that have been negotiated so far, it is likely that they will considerably reduce or fully remove policy options and instruments available to a developing country to pursue its development objectives.”<sup>12</sup>

Some of the regulatory risks in FTA obligations identified by the 2007 UNCTAD Trade and Development report include:<sup>13</sup>

- Elimination of tariffs and subsidies removing a “powerful policy instrument for improving a developing country’s supply capacity in the long run.”
- Reducing options to design development-oriented FDI policies
- Accelerated liberalisation of service sectors can disrupt or hinder the process of establishing a national strategy for services

The importance of maintaining policy space was reaffirmed in UNCTAD’s 2009 Least Developed Countries (LDCs) report, where “it is strongly argued that LDCs require greater policy space than is currently the case, in order to increase the range of their policy options, to provide time and space for policy experimentation, and to adapt various development 'models' to suit their own needs.”<sup>14</sup>

❖ ***Potential to undermine customary land tenure and management systems***

According to a 2007 study commissioned by Pacific Islands Forum Secretariat, “the most significant conflict between the culture of indigenous people in the FICs [Forum Island countries] and advanced liberal trade regimes arises in the economic use of communally held land and resources.”

AID/WATCH is concerned that investment provisions/chapters in PACER Plus may lead to the erosion of customary land tenure by facilitating greater foreign ownership of land and prioritising the rights of investors over the rights of traditional land owners and custodians. Attempts to change customary land tenure to promote foreign investment and ownership is already evident in Melanesia, where AID/WATCH has been actively monitoring the impacts of current land reform and mobilisation programs.<sup>15</sup>

Customary ownership is the dominant form of land tenure in FICs, accounting for more than 80 per cent of total land area in most FICs.<sup>16</sup> The diverse customary management systems are important not only in meeting the basic livelihood needs of communities, but also inextricably linked to social, cultural and spiritual belief systems. Measures that facilitate the titling and

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<sup>12</sup> UNCTAD (2007), *Trade and Development Report 2007 – Regional cooperation for development*, p.63.

[http://www.unctad.org/en/docs/tdr2007\\_en.pdf](http://www.unctad.org/en/docs/tdr2007_en.pdf)

<sup>13</sup> Ibid, pp.53-65

<sup>14</sup> UNCTAD (2009) *Least Developed Countries Report 2009 – The State and Development Governance*, p.174.

[http://www.unctad.org/en/docs/ldc2009\\_en.pdf](http://www.unctad.org/en/docs/ldc2009_en.pdf) Five FICs are classified as LDCs: Kiribati, Samoa, Solomon Islands, Tuvalu and Vanuatu.

<sup>15</sup> AID/WATCH’s concerns regarding Australian involvement in land reform were outlined in its submission to SFDAT Inquiry into the economic and security challenges facing Papua New Guinea and the island states of the southwest Pacific, available at

[http://www.aph.gov.au/senate/committee/FADT\\_CTTE/swpacific/submissions/sub16.pdf](http://www.aph.gov.au/senate/committee/FADT_CTTE/swpacific/submissions/sub16.pdf)

<sup>16</sup> AusAID (2008) *Making Land Work*, Volume One: Reconciling customary land and development in the Pacific; for estimates of land under customary tenure in each Pacific Island country, see Table 2.1 on p.4.

registration of customary lands to increase security for foreign investors could result in undermining food security and social cohesion of indigenous populations.

Given the risks that PACER Plus poses for Pacific Island economies and communities, there is an urgent need for further research and consultations – a need that has been emphasised repeatedly by Pacific Island governments and civil society organisations. Thorough, independent and Pacific-led research will not only facilitate a more comprehensive assessment of the potential costs and benefits of PACER Plus, but can also help determine what sort of trading arrangements would be in the best interest of FICs, taking into account their diverse and complex needs and the challenges that need to be overcome in addressing them.

This process of review and assessment needs to involve as many actors and sectors as possible through national and regional consultations in order to facilitate informed debate and discussions around PACER Plus and its potential implications. Ideally, national and regional consultations to determine priorities and interests should occur *before* the negotiations proceed any further.

### **Australia's engagement with the Pacific and role in PACER Plus**

As a major donor to, and trading partner of, Pacific Island countries, Australia is looked to as a “big brother” in the Pacific region, a role that carries with it immense responsibility. Australia's aid and trade programs and policies can have significant bearing on the development trajectories of Pacific Islands. Since coming into office in late 2007, the Rudd government has announced a “new approach” to engagement with the Pacific region, with a stronger focus on partnerships based on respect for “the independence of the island nations, and the diversity and complexity of development challenges across our shared region.”<sup>17</sup>

On a bilateral level, Australia's “new approach” to the Pacific is being implemented through Pacific Partnerships for Development (PPDs), of which eight have been signed to date.<sup>18</sup> According to AusAID, the PPDs also give effect to Australia's commitments to increase the effectiveness of its development assistance in line with principles and modalities outlined in the Paris Declaration on Aid Effectiveness (2005) and Accra Agenda for Action (2008).<sup>19</sup> Implicit in these declarations is a commitment to strengthen country ownership and better align development assistance with national development strategies and priorities. In other words, there is a commitment from the Australian government to ensure that Pacific Island peoples and governments determine their own development trajectories and have greater control over those processes.

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<sup>17</sup> Port Moresby Declaration, March 2008 <http://www.ausaid.gov.au/country/PortMorDec.cfm>

<sup>18</sup> Pacific Partnerships for Development (PPD) have been signed by Papua New Guinea (Aug 2008), Samoa (Aug 2008), Solomon Islands (Jan 2009), Kiribati (Jan 2009), Vanuatu (May 2009), Nauru (Aug 2009), Tuvalu (Aug 2009), and Tonga (Aug 2009) For more information, including copies of PPDs, see: <http://www.ausaid.gov.au/country/partnership.cfm>

<sup>19</sup> Paris Declaration on Aid Effectiveness <http://www.oecd.org/dataoecd/11/41/34428351.pdf>  
Accra Agenda for Action <http://siteresources.worldbank.org/ACCRAEXT/Resources/4700790-1217425866038/AAA-4-SEPTEMBER-FINAL-16h00.pdf>

On a region-wide level, Australia has been a strong advocate of PACER Plus as a means of achieving regional economic integration and growth. According to Trade Minister Simon Crean, that is “the central plank of the [Australian] Government’s Pacific engagement strategy.”<sup>20</sup>

The Australian government has and continues to promote PACER Plus as a “unique agreement” which is in – and responds to – the interests of FICs. Unlike other free trade agreements, Australian government ministers and agencies have argued the focus is to put “substance into the Plus through practical initiatives and capacity building responsive to the needs of Pacific nations.”<sup>21</sup> This includes “individual schedules of commitments and tailored trade development assistance taking into account the particular circumstances of each country”.<sup>22</sup>

AID/WATCH believes that this rhetoric has not been matched by meaningful action from the Australian government. Far from being sensitive and responsive to the needs and interests of FICs, the Australian government has been fast-tracking PACER Plus negotiations, thereby ignoring requests by FIC governments and civil society organisations regarding the need for consultations, further research, and the establishment of a well-resourced and fully functioning Office of Chief Trade Advisor (OCTA) prior to beginning negotiations.

Key concerns of AID/WATCH regarding Australia’s role in PACER Plus are outlined below.

### **Australia’s push to fast-track negotiations hampers opportunities for informed decision-making and increases the risk that PACER Plus will undermine – rather than benefit – Pacific Island countries**

*“We have brought the previous timetable for trade liberalisation forward significantly. We will also do it with PACER, the Pacific Agreement on Closer Economic Relations—we are embarking on a strategy to develop that...”<sup>23</sup>*

**Simon Crean, Minister for Trade, 16 September 2008**

*“Australia has made it clear that they are seeking to push the negotiation of a new free trade agreement forward as quickly as they can. Realistically, it is difficult for Pacific islands — many of whom are highly dependent on aid from Australia — to resist this pressure.”<sup>24</sup>*

**Department of External Trade, Solomon Islands Government, Status Update on PACER Plus (July 2009)**

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<sup>20</sup> Simon Crean, “The Pacific Region: Realising the Potential”, Speech delivered to the PNG Ministerial Forum, Business Breakfast, in Brisbane 10 June 2009

[http://www.trademinister.gov.au/speeches/2009/0900610\\_png\\_forum.html](http://www.trademinister.gov.au/speeches/2009/0900610_png_forum.html)

<sup>21</sup> Simon Crean, *Our Pacific Agenda: The Opportunity of PACER Plus*, Address at the opening of the Lowy Institute's "Pacific Islands in the World" Conference, Brisbane, 2 August 2009.

[http://www.trademinister.gov.au/speeches/2009/090802\\_lowy.html](http://www.trademinister.gov.au/speeches/2009/090802_lowy.html)

<sup>22</sup> Department of Foreign Affairs and Trade <http://www.dfat.gov.au/geo/spacific/pacer/index.html> Accessed 10 August 2009

<sup>23</sup> House of Representatives, Official Hansard, No. 12, 2008, Forty-Second Parliament, First Session—Third Period, Tuesday, 16 September 2008, p. 7539. <http://www.aph.gov.au/Hansard/reprs/dailys/dr160908.pdf>

<sup>24</sup> Department of External Trade, Solomon Islands Government, Status Update on PACER Plus (July 2009), p.3. [http://www.trade.gov.sb/lib/exe/fetch.php?media=0907\\_status\\_update\\_on\\_pacer\\_plus.pdf](http://www.trade.gov.sb/lib/exe/fetch.php?media=0907_status_update_on_pacer_plus.pdf)

Pacific governments and civil society organisations have emphasised the need for a program of national consultations and thorough research in and by Pacific Island Countries on the implications of PACER Plus, prior to beginning negotiations.

This was reiterated in the lead up to the Pacific Islands Forum Leaders' meeting in Cairns in August 2009, where Pacific leaders clearly signalled that they were not ready to launch PACER Plus negotiations. At the conclusion of PACP Leaders' meeting in Cairns on 4 August 2009, Mr Talagi, the Prime Minister of Niue and Chair of PACP Leaders group, stated:

“We must ensure that we get a good product before we launch, and not just launch for the sake of launching... There have been some reflections in some of the countries on whether we should increase the pace or not. We agreed that we needed further time to consider the implications. We need to carry out consultations before we proceed with the negotiations. That's the decision that has been taken this afternoon.”<sup>25</sup>

Yet, these concerns were not reflected in the Forum Communiqué, which called for PACER Plus negotiations to begin “forthwith”, and a meeting to be held no later than November 2009 to “discuss a framework for PACER Plus negotiations including timelines; identification of issues; and issues in respect of which the CTA could negotiate.”<sup>26</sup>

### *PACER Plus Roadmap*

Australia's push to begin negotiations goes against an earlier timetable for negotiations mapped out by Pacific Island governments, which tentatively suggested that negotiations might begin in 2013, and called for a phased – rather than time-bound – approach. According to a brief prepared by the Solomon Islands' Department of External Trade (July 2009), Australia has suggested that the upcoming Trade Ministers' meeting in the Federated States of Micronesia will be an opportunity to write a new road map, and “have suggested that it might commit the Pacific to completing negotiations within two years.”<sup>27</sup>

AID/WATCH is concerned that a time-bound negotiation schedule, whether it be two, three or five years (as indicated in the outcomes document of June 2009 Forum Trade Ministers Meeting)<sup>28</sup> will significantly constrain opportunities for meaningful consultations and informed debate and decision-making; and subsequently increase the risks that PACER Plus will undermine – rather than benefit – Pacific Island economies, businesses and communities.

In a speech to a trade officials' meeting on PACER Plus in February 2009, Australia's Trade Minister, Simon Crean, noted that to realise the potential benefits of PACER

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<sup>25</sup> Makereta Komai, “PACP Leaders hold off moves to begin PACER Plus negotiations” Islands Business, 5 August 2009,

[http://www.islandsbusiness.com/news/index\\_dynamic/containerNameToReplace=MiddleMiddle/focusModuleID=130/focusContentID=16278/tableName=mediaRelease/overrideSkinName=newsArticle-full.tpl](http://www.islandsbusiness.com/news/index_dynamic/containerNameToReplace=MiddleMiddle/focusModuleID=130/focusContentID=16278/tableName=mediaRelease/overrideSkinName=newsArticle-full.tpl)

<sup>26</sup> Forum Communiqué, Fortieth Pacific Islands Forum Cairns, Australia, 5-6 August 2009, p.4.

[http://www.forumsec.org.fj/resources/article/files/Final\\_2009\\_Forum\\_Communique.pdf](http://www.forumsec.org.fj/resources/article/files/Final_2009_Forum_Communique.pdf)

<sup>27</sup> Department of External Trade (2009), Op. cit. 24, p.3.

<sup>28</sup> Ministerial Statement, Forum Trade Ministers Meeting, Apia, 17 June 2009.

<http://www.forumsec.org.fj/pages.cfm/newsroom/press-statements/2009/ministerial-statement-from-forum-trade-ministers-meeting.html>

Plus “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.”<sup>29</sup>

If Australia is genuine about its commitment to helping realise sustainable development in the Pacific, then it must allow sufficient time for national and regional consultations to be held so that Pacific countries and communities can determine what type economic and trade arrangements are in their interests.

#### *Office of Chief Trade Advisor*

In order to facilitate effective coordination of national and regional consultations, the FICs developed a proposal to establish an Office of Chief Trade Advisor (OCTA).<sup>30</sup> The office would also provide technical support and advice on PACER Plus-related activities and negotiations.

The proposal for OCTA emerged from the recognition that there is a significant imbalance in negotiating capacity between the FICs on one hand, and Australia and New Zealand on the other; and that there is a need for independent advice and support to assist FICs prepare for and meaningfully engage in PACER Plus-related activities and negotiations. As highlighted by William Haomae, Minister of Foreign Affairs and External Trade, Solomon Islands, and PACER Plus Lead Spokesman to FTMM, “such an office must be independent of donors, negotiating partners and the Forum Secretariat, and must truly be owned and controlled by the Pacific.”<sup>31</sup>

While Australia and New Zealand have recently agreed to provide approximately AU\$3 million over three years to OCTA, this is insufficient for OCTA to carry out its mandate as envisaged by FICs.<sup>32</sup> Of significant concern are reports of Australia’s (and New Zealand’s) earlier attempts to attach unreasonable conditions to their offer of funding. According to report published by PANG (July 2009), among the conditions attached to Australia and New Zealand’s offer of funding for OCTA were that 1) PACER Plus negotiations be announced in August 2009; 2) OCTA refrain from engaging in capacity building, and 3) no other donors be permitted to contribute funds to OCTA.<sup>33</sup> While one of the recommendations that came out of the FTMM meeting in Apia was that further funding for OCTA be sought from other donors, Australia and New Zealand’s earlier attempts to limit the funding sources for OCTA shows their reluctance to strengthen FIC capacity to prepare and engage in PACER Plus on their own terms.

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<sup>29</sup> Simon Crean ‘Enhancing prosperity in the Pacific’, Speech to Third Informal Meeting of Officials on PACER Plus, Adelaide, 16 February 2009. [http://www.trademinister.gov.au/speeches/2009/090216\\_pacer.html](http://www.trademinister.gov.au/speeches/2009/090216_pacer.html)

<sup>30</sup> Proposal for “Establishment of the Office of the FIC Trade Advisor (OCTA) for PACER Plus related activities”, approved by PACPTMM (June 2009) is available at: [http://www.trade.gov.sb/lib/exe/fetch.php?media=octa\\_proposal.pdf](http://www.trade.gov.sb/lib/exe/fetch.php?media=octa_proposal.pdf)

<sup>31</sup> Statement by PACER Plus Lead Spokesman to FTMM, Delivered by Hon William Haomae, Minister of Foreign Affairs and External Trade, Solomon Islands; Apia, Samoa, 17th June, 2009 [http://www.trade.gov.sb/doku.php?id=press:pacer\\_statement\\_to\\_ftmm](http://www.trade.gov.sb/doku.php?id=press:pacer_statement_to_ftmm)

<sup>32</sup> Proposal approved by PACPTMM (June 2009) estimates a budget of US\$15,658,436 over six years, Op. cit. 30.

<sup>33</sup> Penjueli, M. and Morgan, W. (2009) *Speaking Truth to Power: Australian and New Zealand use of power politics to launch Pacific free trade negotiations*, July, Pacific Network on Globalisation (PANG), p.26. [http://www.pang.org.fj/doc/Speaking\\_Truth\\_to\\_Power.pdf](http://www.pang.org.fj/doc/Speaking_Truth_to_Power.pdf)



AID/WATCH is also concerned about Australia's attempts to influence the governance structure and mandate of OCTA.<sup>34</sup> Such attempts have been viewed by Pacific civil society organisations as a "failure [on the part of Australia and New Zealand] to recognise the depth of the issues and concerns expressed by FICs, and their determination to set the agenda regarding potential PACER-Plus negotiations."<sup>35</sup>

AID/WATCH believes that exerting influence over the governance and remit of OCTA and tying conditions to its funding that limit the ownership and control of OCTA by FICs, is unacceptable. This also goes against Australia's commitment to increase aid effectiveness, of which a key principle is strengthening country ownership.

At the upcoming Forum Trade Ministers Meeting, OCTA's mandate will be one of the topics to be discussed. Australia must respect the wishes of FICs to determine for themselves how they want to be represented in negotiations, including OCTA's mandate and governance structure.

### **Australian influence over PACER Plus-related research and capacity-building initiatives**

*"Research regarding trade and development in the Pacific, including assessing the impact of trade liberalisation and the suitability of free trade agreements, should not be driven by Australia and NZ"*

*"Capacity building for Pacific Island country trade officials should not be driven by Australia and NZ"*

**2009 Statement to Pacific Island Forum Trade Ministers regarding deliberations on potential PACER-Plus negotiations, issued by Pacific civil society organisations, churches and trade unions (June 2009)<sup>36</sup>**

AID/WATCH shares the concerns expressed in the above quotes that PACER Plus-related research and capacity building initiatives are being driven by Australia and New Zealand and that this represents a clear conflict of interest given that both countries are parties to the proposed agreement.

With regard to research, AID/WATCH supports the call made by Pacific civil society organisations for research and consultations to be carried out in FICs by Pacific researchers to assess, among other things, the social impacts of PACER Plus and its implications for Pacific environment, natural resources, land and cultures, as well as regulatory and policy implications.

With respect to capacity building, AID/WATCH is concerned that the Australian-funded training program for Pacific trade officials involves upcoming negotiators engaging in relevant debates with "Australian negotiators who will be part of future

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<sup>34</sup> See Ibid, pp. 23-26.

<sup>35</sup> 2009 Statement to Pacific Island Forum Trade Ministers regarding deliberations on potential PACER-Plus negotiations, issued by Pacific civil society organisations, churches and trade unions (June 2009) [http://www.pang.org.fj/doc/Pacific\\_Joint\\_Statement\\_2009\\_FTMM.pdf](http://www.pang.org.fj/doc/Pacific_Joint_Statement_2009_FTMM.pdf)

<sup>36</sup> Ibid

PACER-Plus negotiations.”<sup>37</sup> As pointed out by a Pacific civil society statement (June 2009), “it is extremely unusual for trade officials to improve their negotiating capacity by discussing their national issues and concerns *with those they would then be negotiating with!*”<sup>38</sup> (emphasis in original).

FICs have emphasised that “there are certain elements of capacity building directly related to formulation of national negotiating positions and strategies, which due to their confidential nature, will need to be undertaken by the OCTA rather than external agencies.”<sup>39</sup> In other words, FICs require independent advice and support to better represent their interests, and through OCTA, there is already a proposal for an organisation to facilitate training and capacity building of Pacific trade negotiators. However, as highlighted in the previous section, Australia has reportedly been trying to reduce the mandate of OCTA, including calling for the removal of activities related to training and capacity building.

### **Linking of Australian aid to FTAs**

The provision of trade-related assistance and capacity building can help improve trading opportunities for FICs. However, tying such development assistance to the establishment of a reciprocal trading regime which obliges FICs to liberalise their trade with Australia and New Zealand, constrains the policy options and instruments FICs can use to pursue their development goals. AID/WATCH firmly believes that Australia’s provision of aid must not be contingent on FICs signing up to a free trade agreement that obliges FICs to give up policy space and liberalise their trade in goods, services and investment.

A number of areas have already been identified where Australia’s assistance could help improve trading opportunities for FICs. These include improving Rules of Origin, which have been “criticised by Pacific exporters and governments as being too restrictive”<sup>40</sup>; and providing training and skills development to assist FICs meet quarantine requirements in Australia and New Zealand. Given the important role of remittances to FICs, another area in which Australia can provide support to FICs is by expanding seasonal labour mobility scheme, drawing on lessons to date on how to ensure the scheme benefits FICs while safeguarding the rights of workers participating in such schemes.

Such initiatives do not require a free trade agreement to be implemented, and in fact can begin now. Rather than pursuing an agreement fraught with dangers, risks and uncertainties for Pacific Island economies and communities, Australia’s trade-related assistance and its overall aid program should focus on meeting the needs and priorities of Pacific peoples and their governments. As a recent report by Oxfam points out there are feasible alternatives to PACER Plus, which allow greater flexibility for each FIC to pursue its economic and social objectives, and making way for an agreement that is much more likely to improve FIC development prospects.<sup>41</sup>

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<sup>37</sup> <http://www.iit.adelaide.edu.au/educ/develop/>

<sup>38</sup> Pacific civil society statement (June 2009), Op. cit. 35, p. 4.

<sup>39</sup> Briefing for Hon. William Haomae, Trade Minister for the Solomon Islands, Forum Island Country (FIC) Lead Spokesperson for the PACER-Plus negotiations. (undated)., cited in Penjueli and Morgan (2009) Op. cit. 33, p.25.

<sup>40</sup> Braxton et al (2009) Op. cit. 8, p. 24.

<sup>41</sup> Braxton et al (2009) Op. cit. 8

## RECOMMENDATIONS

1. Australia should adopt a staged, rather than time-bound approach to negotiations, which allows the Pacific Islands to set the pace.
2. There should be sufficient time to undertake, discuss, and incorporate outcomes of, Pacific-led research on environmental, social, cultural and regulatory impacts of measures proposed under PACER Plus. Sufficient time must also be allowed for national and regional consultations to take place.
3. Public services (such as education and health) should be excluded from trade agreements.
4. Australia must not push for provisions in the agreement that limit the policy choices and instruments Pacific governments can use to pursue their development objectives.
5. Investment chapters in PACER Plus that potentially undermine customary tenure of land and natural resources must not be included in the agreement.
6. Pacific countries must be allowed to determine for themselves how they want to be represented during negotiations. This includes allowing Pacific countries to determine the governance structure and mandate of OCTA.
7. Provision of Australia's development assistance must not be made contingent on advancing PACER Plus negotiations.
8. Any trade-related assistance and funding must be additional to and must not divert from current aid priorities.