



# Supporting Pacific livelihoods?

## Potential implications of PACER-Plus for agriculture, food security and land ownership in the Pacific island countries

### What is PACER-Plus?

At the 2009 Pacific Island Forum Leaders' Meeting, held in Cairns, Australia, Pacific leaders agreed to begin negotiations for a trade agreement between the Pacific island countries and Australia and New Zealand (PACER-Plus).

The PACER-Plus negotiations are likely to result in a binding international agreement that will affect Pacific economies and societies for decades to come. PACER-Plus will have wide-reaching implications for all Pacific islanders. A new agreement could affect ownership of land, employment, how much tax people pay, how much they pay for goods at the local store, the prices they get for their produce at the local market, and even their ability to access services (like local clinics and schools).

Both the Australian and New Zealand governments are interested in negotiating PACER-Plus as a free trade agreement that will allow their firms to export more goods and services to the Pacific and invest in new enterprises in the island countries<sup>1</sup>.

The Australian government explains that "Australia's primary motivation in supporting PACER Plus is to help the Forum Island Countries (FICs) to promote sustainable economic development. We nonetheless expect that improved market access may enhance some opportunities for Australian exporters, investors and service providers in Pacific markets"<sup>2</sup>.

The Australian Trade Minister Simon Crean describes PACER-Plus as a "trade-plus' free trade and economic integration agreement"<sup>3</sup>.

### What will PACER-Plus mean for Pacific agriculture?

PACER-Plus, if designed as a free trade agreement, is likely to require Pacific governments trade away their ability to provide targeted support (and protection) for the development of the agricultural sector. It is likely that Australia and New Zealand will demand that PACER-Plus be compatible with the World Trade Organisation's Agreement on Agriculture – and their demands of the Pacific island countries may go even beyond those required by the WTO<sup>4</sup>.

In recent years, many Pacific countries have provided direct support to agricultural producers, to stimulate production and to support rural farmers when commodity prices fall through the floor. In Vanuatu and the Marshall Islands for example, governments have directed funds to prop up the price of copra when international prices have collapsed. For many farmers in remote outer islands, copra exports are a primary source of income, and in some cases a sole source of income.

Australia and New Zealand have previously opposed the ability of Pacific countries to use subsidies for local agriculture, or to use

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<sup>1</sup> A 'national interest' assessment undertaken regarding the Pacific Agreement on Closer Economic Relations (PACER), the precursor to PACER-Plus, found that "without ratification of PACER, Australia would be denied an enhanced opportunity to negotiate better market access to Pacific markets for Australian business and industry while any other country could enjoy duty free access to FIC's for their goods".

<sup>2</sup> 'Pacific trade negotiations commence', see: <http://www.aei.gov.au/AEI/MIP/Activities/09Activity24.htm>

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<sup>3</sup> Crean, S. McMullan, B. 2008. 'International engagement begins in own backyard'. *Canberra Times*. 26/8/08. Fairfax, Canberra

<sup>4</sup> This has happened in the past. For example, when Vanuatu sought to join the WTO, Australia and New Zealand demanded that Vanuatu abandon export subsidies that it would be allowed to maintain if it was a WTO member. See: Grynberg, R and Joy, R.M. 2006. 'The Accession of Vanuatu to the WTO: Lessons for the Multilateral Trading System' in: Grynberg, R. (Ed.) 2006. *WTO at the Margins: Small States and the Multilateral Trading System*. Cambridge University Press. UK.

seasonal tariffs to protect Pacific farmers from import surges (for example, Australia and New Zealand opposed Vanuatu's subsidy for copra prices, and seasonal tariffs to protect local potato farmers)<sup>5</sup>.

If PACER-Plus is designed as a reciprocal free trade deal, it is likely to promote a greater reliance on food imports and increased competition for local producers from foods produced in Australia and New Zealand. Over time, this will undermine the income and livelihoods of village farmers selling their produce in local markets.

Alternatively, a regional economic *cooperation* agreement could help to promote opportunities for local farmers to export to Australia and New Zealand. Any such agreement could open new 'export pathways' for agricultural exports by providing resources and expertise to meet Australian and New Zealand quarantine standards, and prioritising the assessment of Pacific produce by Australian and New Zealand quarantine agencies (at the moment, Australia is especially slow at assessing the entry of new products).

## Will PACER-Plus undermine Indigenous rights to land?

Yes, if PACER-Plus is designed as a free trade agreement, there is likely to be pressure to include rules that would undermine indigenous land ownership – as restrictions on foreign ownership of land may be considered a market access restriction for Australian and New Zealand service providers wishing to establish a new business in a Pacific island country.

If such rules are included under PACER-Plus, Pacific countries will have to change national laws to allow foreign ownership of land, or list restrictions on foreign ownership of land as part of a services schedule (as exemptions under 'Mode 3' covering service delivery by the establishment of a *Commercial Presence*), though they will come under pressure to allow Australian and New Zealand companies open access to other parts of their local economy if they decide to do that. An agreement on investment could also undermine indigenous land rights.

Commentators in Australia have argued that a regional free trade deal *should* force PICs to reform communal land tenure (and that Australia should offer labour mobility to the FICs in return

for this reform)<sup>6</sup>. A study on PACER-Plus commissioned by the Pacific Islands Forum Secretariat found that "possibly the most significant conflict between the indigenous peoples of Forum Island Countries and regional trade integration arises in the economic uses of communally held land and resources."<sup>7</sup>

## Will PACER-Plus improve food security in the Pacific?

Many Pacific countries have a large and ongoing trade deficit (Vanuatu's trade deficit for example has consistently stood at around 25% of GDP), and countries that cannot earn the foreign currency they need to pay for imports are especially susceptible to food security issues in a globalised food marketplace. PACER-Plus looks set to *increase* the reliance on imports in many Pacific island countries, and increases in the volume of imported foods from Australia and New Zealand may (especially over time) squeeze local farmers out of the market.

Those who argue for a new free trade agreement say that it is a better use of the world's resources for Pacific countries to import foods that are produced more efficiently and cheaper than farmers in the Pacific can produce them. However, this argument ignores the fact that most Pacific Islanders rely on local food systems and many people sell local produce as their main source of cash income. It also ignores the fact that many people don't earn much cash to buy imports anyway.

Importing greater amounts of food also has implications for the environment, by promoting carbon-intensive, industrial agriculture, including the use of international shipping and air-freight, over localised food production and harvesting systems – which provide sustainable livelihoods and promote local communities.

## Find out more

This fact sheet is produced by the Australian Civil Society Network on Pacific Trade, which links unions, churches and non government organisations that work to ensure trade rules for the Pacific island countries are fair and just.

For further information contact the network at [pacifictrade@gmail.com](mailto:pacifictrade@gmail.com)

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<sup>5</sup> Gay, D. 2002. "Vanuatu's suspended accession bid: Second thoughts?" *Managing the challenges of WTO participation, Case Study 43*. World Trade Organisation.

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<sup>6</sup> pp.124. Peebles, D. 2005 "Pacific Regional Order" *Chapter Six: Free trade*. Australian National University

<sup>7</sup> Nathan Associates. 2007 *Pacific Regional Trade and Economic Cooperation: Joint baseline and gap analysis*. Nathans Associates, December 2007.