

## **2009 Statement to Pacific Island Forum Trade Ministers regarding deliberations on potential PACER-Plus negotiations.**

### **Statement from Pacific civil society organisations, churches and trade unions.**

#### **Overview:**

In August 2008, Pacific NGOs, churches and trade unions expressed concerns about the push for free trade agreements in the Pacific and the grave risk that these agreements pose for our people<sup>1</sup>. We reaffirm those concerns.

The Pacific Islands Countries (PICs) are under no obligation to conclude a reciprocal free trade agreement with Australia and New Zealand. Any change in the trade relations with Australia and New Zealand is likely to have a large impact on the smaller Pacific partners. A poorly designed free trade deal has the potential to undermine the sovereign authority and responsibilities of independent Pacific nations, the economic and social wellbeing of Pacific peoples, and our democratic right to determine our future.

This paper has been prepared for Pacific trade ministers and trade officials attending the 2009 Forum Trade Ministers' Meeting in Apia, Samoa from June 8th – 18th, 2009. It is understood that during this meeting Forum Trade Ministers will make recommendations regarding the timing of potential negotiations for a new trade arrangement among Forum Members (PACER-Plus), and regarding the design and composition of an Office of the Chief Trade Advisor (OCTA) – to assist FICs in the lead up to potential negotiations under PACER-Plus.

#### **Key Demands:**

1. ***PACER-Plus negotiations must not begin in 2009 – to allow for national consultations and independent research to take place. National consultations are the appropriate democratic process to determine whether negotiations should proceed (if at all) and how they should proceed.***

The Australian Government has made it clear that it intends to see the PACER-Plus negotiations launched at the Pacific Islands Forum Leaders' meeting in Cairns later this year. At the Samoa Forum Trade Ministers' Meeting, Australia will attempt to secure a political commitment to ensure that happens.

This, in our view, represents a clear and present danger to sovereign democratic processes that need to take place in each Pacific island country to properly evaluate a free trade agreement with Australia and New Zealand, so as to protect the economic and social wellbeing of its people. Being rushed into negotiations in 2009 in the absence of national consultations would pose a serious threat for Island economies and the well being of Pacific peoples.

At the Niue Forum Island Leaders' Meeting in 2008, Pacific leaders met separately from Australia and New Zealand and issued a press release stressing the need for "careful preparations by Forum Island Countries (FICs), both individually and collectively, before

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<sup>1</sup> 12-14 August, 2008. "Pacific Civil Society Organisations Statement on Trade Justice". Auckland, New Zealand. View statement on [www.pang.org.fj](http://www.pang.org.fj)

consultations began with Australia and New Zealand"<sup>2</sup> and for the early appointment of a Chief Trade Advisor with adequate resourcing to assist the FICs in realising their shared objectives.

It is our view that a phased approach, as proposed in the draft road map put forward on behalf of the FICs by the Solomon Islands Government (with formal negotiations beginning only once certain milestones have been satisfactorily completed – including the establishment of country positions based on national-level research and consultations) is appropriate for the Pacific context. The draft road map tentatively suggests formal negotiations might begin in 2013. A phased approach based on national consultations would allow democratic processes to determine if and when PACER-negotiations should proceed, if at all.

Any attempt to shorten the phased approach must be resisted by the 14 Pacific Trade Ministers in Samoa. It is incumbent on all our Trade Ministers to maintain the cautious position adopted by our Leaders in 2008, stressing the need for careful preparations both individually and collectively, before negotiations can begin with Australia and New Zealand.

**2. *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.***

Studies in relation to any new free trade agreement (FTA) between the PICs and Australia/NZ have to date been funded by Australia/NZ and have focussed narrowly on the 'benefits' of a new FTA and ways to overcome acknowledged costs – described as 'adjustment' costs. Studies relating to trade liberalisation in the Pacific should not in any way be directed by Australian and NZ governments because they have an intrinsic conflict of interest.

It is essential that research and assessment derives from experience in communities and business, not from theoretical models<sup>3</sup>. Research on Pacific trade and development options should be undertaken that draw on Pacific researchers and wide consultation within the PICs, including with parliamentarians, Pacific civil society organisations, trade unions and church organisations. Studies are required to assess the social impact of a new FTA and its implications for the Pacific's environment, natural resources, land and cultures, as well as for Pacific constitutions and legislation, and to assess the loss of policy space available to Pacific governments on signing a new FTA. Parallel studies are also required to assess potential alternatives to a WTO compatible FTA (with its acknowledged 'adjustment costs'). All of this research needs to be undertaken well before entering into negotiations with Australia and New Zealand. CSOs need to be centrally involved in framing and undertaking such research.

Research of this kind would enable Pacific governments and trade officials to make more considered decisions in relation to trade and development policy – and the suitability of new FTAs in the Pacific. Research findings will inform the national consultation process to assist

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<sup>2</sup> [www.forumsec.org.fj/pages.cfm/newsroom/press-statements/2008/pacific-acp-leaders-committed-beneficial-epa-with-eu.html](http://www.forumsec.org.fj/pages.cfm/newsroom/press-statements/2008/pacific-acp-leaders-committed-beneficial-epa-with-eu.html)

<sup>3</sup> For a discussion of difficulties inherent in using theoretical models to predict effects arising from new free trade agreements (such as increased trade volumes, tariff revenue losses, net welfare gains/losses etc) see: Rosenberg, B. 2009. Notes on *Research study on the benefits, challenges and ways forward for PACER-Plus – Appendix I: A Quantitative Analysis of the Potential Benefits and Costs of a PACER-Plus Agreement*. Notes commissioned by the Pacific Network on Globalisation (PANG). June 2009.

countries in determining their national positions. Any attempt to shorten the phased approach must be resisted by the Island countries at the Samoa Forum Trade Ministers' Meeting. Ample time must be given to island countries to undertake independent research, including social impact assessment and national consultations, before any decision to begin formal negotiations with Australia and New Zealand.

3. ***An adequate structure for trade negotiations must be established well before the Pacific Island Countries engage in any new trade negotiations with Australia/NZ.***

Pacific Island Country Trade Ministers have put forward a proposal for the establishment of an Office a Chief Trade Advisor (OCTA). This proposal was put forward during the 2008 Forum Trade Ministers' Meeting in the Cook Islands. It is envisaged that the OCTA, to be based in Port Vila, Vanuatu, would assist the PIC's to identify and advance their offensive and defensive positions in any potential FTA negotiations with Australia and NZ. This office would also help to coordinate Pacific negotiating strategies, and could build capacity of national trade officials within the region.

The response by Australia/NZ to the OCTA proposal has been dismal. Australia and New Zealand governments have indicated a willingness only to provide very limited funding (\$1M/year for three years), and they want the remit of the Office to be reduced and capacity building and training elements to be removed. In addition A/NZ has rejected the FICs' proposal to seek other funders for the OCTA. This response clearly demonstrates A/NZ failure to recognise the depth of the issues and concerns expressed by FICs, and their determination to set the agenda regarding potential PACER-Plus negotiations.

The model for the OCTA proposed by A/NZ would in effect remove any capacity for the Office to meet the objectives set forth by Pacific Trade Ministers when they originally planned for the OCTA; namely, to assist FIC's in their preparations for PACER-Plus and during the negotiations. At the 2008 Forum Trade Ministers' Meeting, Ministers indicated that support from the OCTA would be important "if the shared objectives of all Forum members were to be realised"<sup>4</sup> and that the OCTA, while under instruction from the FIC Trade Ministers, would be "the sole point of contact in negotiations with Australia and New Zealand". If FIC Ministers' agree to A/NZ conditions regarding the OCTA, there is a danger the OCTA will only perform a limited secretarial role during negotiations (facilitating meetings and the like).

At the heart of the Pacific's original OCTA proposal is a recognition by Island countries that extensive assistance will be required to assist FICs overcome the capacity constraints imposed both by the small size of their economies and governments and a corresponding lack of capacity for FICs to engage as fully as they might otherwise in any PACER-Plus process. In addition, Australia and NZ must take into account the fact that PICs are currently involved in other contentious FTA negotiations with the EU (EPA), and are negotiating a new trade agreement amongst themselves (PICTA Trade in Services).

We call on Australia and New Zealand to recognise that any negotiations should not be initiated until the completion of EPA and PICTA Trade in Services negotiations due to the countries' capacity constraints.

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<sup>4</sup> [www.forumsec.org.fj/pages.cfm/newsroom/press-statements/2008/pacific-acp-leaders-committed-beneficial-epa-with-eu.html](http://www.forumsec.org.fj/pages.cfm/newsroom/press-statements/2008/pacific-acp-leaders-committed-beneficial-epa-with-eu.html)

We urge island governments to maintain the cautious position articulated at the 2008 Niue Leaders' Meeting, namely to have in place a fully funded and functional OCTA to assist FICs to prepare for negotiations to begin in 2013 (subject to the outcome of national consultations). The size and function of the OCTA must be determined by the issues that island countries face and therefore funding should be used as required, and no limitations should be placed on the source of those funds.

**4. *Suspension of Fiji from the Pacific Islands Forum supports the need to delay the launch of PACER-Plus negotiations.***

Commentators recognise Fiji as an important economic hub in the Pacific and in particular its vital role in inter-regional trade for countries such as Kiribati, Tuvalu and Tonga. Given Fiji's critical role in island economies, Pacific Island governments need to seriously question the validity of progressing any part of the PACER-Plus process without Fiji at the negotiating table. Fiji's suspension from the Pacific Islands Forum, in line with the Port Moresby Leader's decision of 2009, means its Ministers and officials cannot attend the meetings at which vital decisions affecting the economic life of Island countries will be made.

In addition, if the region agrees to launch PACER-Plus negotiations in 2009, this decision will prejudice the rights of Fiji businesses and citizens to engage in democratic processes regarding participation in PACER-Plus.

It is therefore inappropriate, and possibly illegal under PACER itself, to proceed without Fiji's full participation in all deliberations.

**5. *Impact of the global recession and financial crisis further supports the need to delay negotiations on PACER-Plus.***

With the backdrop of financial, food and climate crises, policy space for future governments becomes an essential lens through which to assess the PACER-Plus framework. These ongoing crises starkly illustrate the pitfalls of an economically integrated world that lacks adequate checks and balances, and of economic policies that wrongly believe that the markets will get the prices right in any circumstances. The economic crisis has largely been precipitated by the reckless liberalisation of the financial sector, which governments would commit to continue through the financial services chapters of FTAs such as PACER-Plus.

This is particularly important given the Asia Development Bank's gloomy forecasts for Pacific economies as a result of recession in their major neighbouring economies (Australia, New Zealand and the USA). The external slow down is predicted to affect tourist activity and the flow of remittances for island countries. Rapidly deteriorating economic conditions in Solomon Islands and expected contractions over 2009 in the Fiji Islands, Samoa, Palau and Tonga were highlighted in the first issue.<sup>5</sup>

Given the likely impacts of the global financial crisis, Pacific CSOs are of the view that this is not the time to be signing agreements that tie the hands of governments and remove the flexibilities that are essential to respond to domestic priorities. The negative impacts of the global recession on Pacific island countries would be deepened by the projected government revenue losses from PACER-Plus<sup>6</sup> and the other 'adjustment costs'. We urge Pacific

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<sup>5</sup> ADB. 2009. "Pacific Economic Monitor". May 2009. View document: [www.adb.org/pacmonitor](http://www.adb.org/pacmonitor)

<sup>6</sup> A report commissioned by the Pacific Islands Forum Secretariat, and completed by Washington-based consultants *Nathan Associates*, found that under PACER-Plus, Pacific countries stand to lose tens of millions of each year.

Governments to delay any commencement of negotiations at least until 2013, when the implications of the global recession and appropriate forms of regulation are better understood.

**6. *Discussions on the future trade relations between the Pacific Island Countries and Australia and New Zealand should be wide ranging and focus on utilising trade to reduce poverty. To this end, all alternatives to a WTO-compatible free trade agreement should be investigated.***

The Pacific Islands Countries (PICs) are under no obligation to conclude a reciprocal free trade agreement with Australia and New Zealand. Any change in the trade relations with Australia and New Zealand is likely to have a large impact on the smaller partners, and so a thorough investigation of all alternatives should be undertaken.

In acknowledgment of the special and different circumstance of the PICs, and the fact that a majority of the PICs are not WTO Members, Australia and NZ should offer the region alternatives to a WTO-driven free trade agreement. Alternatives could include improvements to the status quo (SPARTECA) with a focus on overcoming the difficulties of the Pacific Island countries and their peoples in utilising their access to Australian and New Zealand markets to overcome poverty. In particular A/NZ should offer improvements in Rules of Origin requirements, remove trade barriers (including Australia's kava ban) and provide assistance with meeting necessary sanitary and phytosanitary rules in Australia and NZ. These are all initiatives that would expand Pacific export opportunities and can be undertaken without requiring a new FTA between Australia/ NZ and the PICs.

**7. *Labour mobility schemes should not be linked to PACER-Plus negotiations in any way.***

It is not appropriate to situate temporary labour mobility schemes in FTAs. They have no place in such agreements primarily concerned with trade and subject to WTO trade rulings, further the current temporary migration scheme under the Subclass 457 visa was examined last year and it found that<sup>7</sup>;

*...visa holders who are susceptible to exploitation are also reluctant to make any complaint which may put their employment at risk...concerns about exploitation are well-founded, particularly in relation to visa holders at the lower end of the salary scale..." It has been suggested that such behaviour is particularly prevalent where Subclass 457 visa holders make up a large percentage of the workforce at a workplace.*

Therefore any expansion of temporary migration schemes into lower paid labourers classifications in horticulture are fertile ground for further exploitation. The low wages and poor working conditions offered by Australian and New Zealand's employers in horticulture have created their demands for seasonal work schemes that employ Pacific people.

The long term interests of the development of sustainable economies in PICs will not be served by their working age population being temporarily employed overseas in low wage seasonal work. Such wages may appear high from the PIC perspective and have the perverse effect of draining those with the highest qualifications from their actual vocation into such schemes with poor long-term outcomes outweighing any short term benefits.

Australian and New Zealand Governments should instead assist long term economic and social progress in PICs by committing funds to enhancing their skills base, economic and

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<sup>7</sup> Visa Subclass 457 Integrity Review, Final Report, October 2008, pages 23-24.

social infrastructure. The ‘*Pacific Partnerships for Development with Solomon Islands and Kiribati*’ agreed by Australia with their Governments in January 2009 are a first step in this process and their extension to the whole of the Pacific peoples will bring far greater benefits than band aid solutions to help out low wage employers in Australian and New Zealand or the proposed Pacer-Plus negotiations.

**8. *Capacity building for Pacific Island Country trade officials should not be driven by Australia and NZ.***

Pacific countries have widely acknowledged capacity constraints when it comes to engaging in free trade negotiations. The Australian government announced (in May 2008) funding for new training for Pacific trade officials – to enable them to better engage in free trade negotiations. This training is currently provided through a series of modules delivered by the Adelaide-based Institute for International Trade. The training “targets upcoming negotiators from all 14 Pacific Island Forum countries”, who engage in relevant debates with “Australian trade negotiators who will be part of future PACER-Plus negotiations”<sup>8</sup>.

However, a clear conflict of interest arises when training programmes like these are directed by Australia and NZ. It is extremely unusual for trade officials to improve their negotiating capacity by discussing their national issues and concerns *with those they would then negotiate with!*

Trade officials from Pacific countries need independent and objective sources of information, training and capacity building in order to engage in trade negotiations with Australia and NZ. The OCTA is best placed to offer, or facilitate, independent training and capacity building for trade officials. In addition Pacific CSOs would be keen to be viewed as partners in designing and implementing, as well as benefiting from, any such programmes.

**9. *Pacific Civil Society Organisations (CSOs) should be included in all aspects of trade and development policy creation, including consideration of any new FTAs, and during the negotiation of those FTAs.***

In August 2007, at the Forum Trade Ministers’ Meeting in Port Vila, Forum Trade Ministers after considering the Joint Baseline and Gap Analysis Report<sup>9</sup> commissioned by the Pacific Islands Forum Secretariat, stressed that any PACER-Plus arrangement must be more than a simple trade agreement. They recalled the objectives of PACER for gradual trade and economic integration of the economies of FICs in a way that is fully supportive of sustainable development of FICs. The meeting also recognised the need for the private sector and other non-state actors (NSAs) to be involved from the beginning in both the development of policies and design of initiatives to remove barriers to trade.

We welcome the recognition for the need for NSAs to be involved. However, to date NSA involvement in both the development of trade policies and designing of initiatives has been virtually non-existent. Every effort must be made to ensure future involvement of NSAs, especially given the potential implications of any such free trade arrangements for Island economies and peoples.

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<sup>8</sup> For more information regarding the Pacific Trade Training Modules see: [www.iit.adelaide.edu.au/educ/develop/](http://www.iit.adelaide.edu.au/educ/develop/)

<sup>9</sup> Nathan Associates. 2007. “*Pacific Regional Trade and Economic Cooperation – Joint Baseline and Gap Analysis*.” Pacific Islands Forum Secretariat, November 2007.

Civil society organisations, including church organisations, trade unions, women's organisations, farmers' organisations, and organisations working on issues of livelihoods, gender, youth, health and education should be involved in the construction of trade policy in the Pacific Island countries. Governments in the region need to ensure that international trade is placed at the service of social development that is also ecologically sustainable. Pacific CSOs can play a key role in making sure that trade is placed at the service of those goals.

Free trade agreements, in particular, will have impacts in all areas that Pacific CSOs work in. CSOs should be consulted extensively when considering new free trade agreements, and in an ongoing manner throughout trade negotiations.

For our part, Pacific CSOs undertake to work collaboratively and with the aim of ensuring that trade agreements create real benefits for Pacific people.

**This statement has been endorsed by:**

Pacific Conference of Churches (PCC) Regional - Fiji

South Pacific and Oceanic Council of Trade Unions (SPOCTU) Regional - Tonga

Pacific Network on Globalisation (PANG) Regional - Fiji

The Centre for Environmental Law and Community Rights Inc (CELCOR), PNG

Friends of the Earth – PNG

Women's Action for Change (WAC) – Fiji

Ecumenical Centre for Research Education and Advocacy (ECCREA) – Fiji

Niue Association of NGOs, Niue

FSM Association of NGOs, Federated States of Micronesia

FSMWAN, FSM

Cook Islands Workers Association, Cook Islands

Ole Siosiomaga Inc (OLSSI) – Samoa

Samoa Umbrella NGOs (SUNGO) – Samoa