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Fiji trade-off? Another reason to scrap a Pacific Trade Agreement

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The suspension of Fiji from the Pacific Island Forum also suspends it from discussions regarding a Pacific trade agreement, discussions that should be put on ice regardless.

This week Australian and New Zealand trade officials will be meeting with their Pacific counterparts to discuss the Pacific region trade agreement, known as PACER. These informal meetings are aimed at moving towards announcing the formal negotiation phase later this year. But what does it mean for these talks to have an empty seat behind the name-tag "Fiji"?

If you would believe the Australian Government, a Pacific trade agreement is a road to economic prosperity led by the good spirited Australian and New Zealand governments. It's an agreement that will assist the Pacific Island nations to more successfully compete on the global economic stage. It's a gift to the Pacific if you will.

This road to supposed economic prosperity however looks rather rocky. While Australian Trade Minister Simon Crean will happily state that an agreement would increase trade in the Pacific by 30 per cent, what's not stated is whose favour this will be. In fact the feasibility study that delivered this figure is unable to say just how much of that will favour the Pacific.

A reasonable guess would say not that much. Dr Narsey from the University of the South Pacific predicts that under a Pacific trade agreement three quarters of Pacific manufacturing would close down, resulting in the loss of thousands of jobs. An odd road to prosperity one would think.

Then there's the loss of government revenue from any agreement. A separate report by the Pacific Islands Forum Secretariat released last year showed that Pacific governments stand to lose tens of millions of dollars in government revenue - money that is needed to provide essential services. Under a trade agreement Vanuatu and Tonga would have the task of making up 17 per cent of their government revenue that would be lost from lowered tariffs. This would most likely be through higher consumption taxes for general populations that still exist on the periphery of the cash economy.

For many Fiji is the heart of the Pacific. It is not only the second biggest economy in the region providing an economic base for many, but has always played a central role in Pacific affairs, even housing the Forum that it has now been suspended from. A Pacific trade agreement without Fiji is a regional agreement without its economic heart.

The absence of Fiji at the table has not deterred Australia and New Zealand. So committed to the idea of a Pacific trade agreement that they are willing to push forwards without such a vital economic pillar, and maybe for their own good reasons.

Fiji is somewhat of a prize for investors in Australia and New Zealand, gaining better access to Fijian markets could prove rather lucrative. At a recent informal meeting of trade ministers in New Zealand, the invitation sent to Pacific Ministers outlines the New Zealand concerns that it would not have been “appropriate” to invite Fiji. However, it still outlines a desire to “explore views on how to engage with Fiji on trade issues in relation to PACER PLUS”. Despite the moral outrage at the political situation in Fiji, one ear continues to remain open to the economic opportunities that exist.

Fijian elections aside, Australia and New Zealand are still looking to pry Fijian markets open, so how these countries “engage” remains to be seen. By pushing forwards with negotiations, any decisions made could automatically apply to Fiji if they decided in the future to enter into such regional agreement. But by no longer having a seat at the negotiating table Fiji may have lost its chance to negotiate itself a better outcome.

The very fact that Pacific countries are at the table itself is more a gesture of good will than a desire to sign an agreement. Only Papua New Guinea and Fiji are obliged to offer consultations with Australia and New Zealand after the threat of losing some preferential market to the European Union saw them bullied into initialling trade agreements with the European trading bloc. The rest of the Pacific nations are engaging in the informal talks as a sign of good faith, something the regions big brothers seem to be abusing.

Already Pacific countries are feeling the pressure to sign up to negotiations. New Zealand has recently announced a desire to follow Australia and ensure that its aid dollars to the region help shape the trade agenda. Both governments see their aid agencies as integral to ensuring that free trade policies are implemented by funding among other things, trade infrastructure and trade negotiators. Small, aid dependent Pacific countries could understandably be cautious of biting the hand that feeds.

It's in this environment that these informal talks need to be viewed. While they aren't official negotiations they act as a convenient avenue to once again pressure Pacific countries into an agreement. The Australian Government may very well say that Pacific governments don't have to undertake negotiations or even sign onto an agreement but that's an easy position to take when you hold the purse strings.

The absence of Fiji, however, doesn't change the fact that a PACER agreement offers very little if anything for the Pacific countries. Once again old ideologies and interests are determining Australian policies towards the region and it would be naïve for Pacific countries to think that their interests align with their big brothers.

If Australia and New Zealand are interested in promoting development in the Pacific they need to take a backseat. Long champions of neo-liberal economics, they need to realise that they were wrong. They now need to work with and listen to Pacific countries to build a future that reflects the desires of the communities of the region.