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Briefing on the Proposed Pacific Agreement on Closer Economic Relations - Plus (PACER - Plus)

PACER is an agreement between Australia, New Zealand and 14 Pacific Island Nations. It was endorsed at the meeting of the Pacific Islands Forum in Nauru in 2001.

PACER provided for an initial trade agreement between Pacific Island nations and promised to initiate negotiations for a free trade agreement with Australia and New Zealand by 2011, unless triggered earlier. The signing of interim agreements between the European Union, Fiji and Papua New Guinea has triggered these new PACER negotiations.

In June 2007, Pacific trade ministers meeting in Port Vila began discussions on moving to a more comprehensive free trade agreement, which has been dubbed "PACER-Plus".

- **Inaccurate Modeling**

Projected economic gains of PACER were modelled by Andrew Stoeckel using the incorrect assumption that trade liberalisation automatically produced efficiencies¹. Stoeckel combined computer modelling with government and private sector expectations about export opportunities². Stoeckel estimated that PACER would lead to an aggregate gain of around A\$200 million across all Pacific Island Countries³. The report concluded that only three Pacific Island countries would gain, three countries would have neutral outcomes, and eight Island countries would suffer revenue losses by eliminating tariffs as they didn't have a Value Added Tax to recoup them⁴.

- **Loss of Government Revenue**

The Nathans Associates report commissioned by the Pacific Islands Forum Secretariat concluded that Fiji, PNG, Samoa, and Vanuatu stand to lose up to US\$10 million from tariff cuts on Australian and New Zealand imports⁵. The

¹ A. Stoeckel (1998) 'Costs and benefits of a free trade area between Forum Island Countries and Australia and New Zealand', Centre for International Economics: Canberra

² Kelsey, J. (2004) Big Brothers Behaving Badly: The Implications for the Pacific Islands of the Pacific Agreement on Closer Economic Relations (PACER), available from <http://www.pang.org.fj/doc/040401bigbrothersjanekelsey.pdf>, accessed 11/01/08

³ Ibid.

⁴ Ibid.

⁵ Pareti, S. (2007) *PACER: A Plus or Negative?*, Island Business, September, 2007, available at http://www.islandsbusiness.com/islands_business/index_dynamic/containerNameToReplace=MiddleMiddle/focusModuleID=17625/overrideSkinName=issueArticle-full.tpl, accessed 12/10/2007.

International Monetary Fund has concluded that developing countries that implement Value Added Taxes only collect 30% of the revenue previously received through tariffs⁶. This loss of government revenue undermines the ability of governments to fund essential services and infrastructure, particularly for island nations like those in the Pacific.

- **Regulation of Services**

Services were excluded from the original PACER agreement in 2001, but PACER-Plus will include services in its aim for closer economic integration. Any inclusion of services raises a number of concerns about the rights of governments to ensure equitable access and to have the policy space to determine how essential services are provided. The current definition of public services used in trade agreements is inadequate in ensuring governments retain the right to regulate them in the public interest.

- **Movement of workers**

The movement of skilled and unskilled workers may become a major component of any Pacific trade agreement. Labour mobility within the Pacific is complex and involves social, cultural and economic aspects. The movement of skilled workers out of island countries, to chase better pay and career options, is contributing to a 'brain drain' from island communities. Low and semi-skilled workers are often left behind with limited opportunities and seek work in Pacific Rim countries.

New Zealand already has a temporary worker program for unskilled workers from Pacific Island States. These schemes primarily meet demands from employers in the agriculture sector, but have been promoted as 'development' and even 'better than aid'. The recent report "*Workers for all Seasons?*" examined the New Zealand scheme and outlined problems of lack of pastoral care for workers, examples of underpaying, misinformation to workers, and the need to ensure that independent disputes procedures are in place for employees⁷. Any temporary unskilled migrant worker program that may be introduced in Australia must ensure that workers are granted the same rights and wages that are accorded to domestic workers.

Any temporary migration scheme with the Pacific must be considered separately and not used as a bargaining chip in trade negotiations.

In accordance with ALP policy there should be an assessment of the impact of the proposed FTA on human rights, labour rights and the environment in Pacific Island Countries, New Zealand and Australia.

In accordance with the recommendations from Senate Foreign Affairs, Defence and Trade Committee's 2003 report "*Voting on Trade*" negotiations should not proceed without comprehensive community consultation and parliamentary approval. Parliament must then be able to vote on the whole treaty not just the implementing legislation⁸.

⁶ Bangsguard, T. and Keen, M. (2005) *IMF Working Paper: Trade Revenue and (or?) Trade Liberalisation* www.imf.org/external/pubs/ft/wp/2005/wp05112.pdf.

⁷ Maclellan, N. (2008) *Workers for all Seasons?*, Institute for Social Research, Swinburne University.

⁸ Senate Foreign Affairs, Defense and Trade Committee, 'Voting on Trade: The General Agreement on Trade in Services and an Australia-US Free Trade Agreement', 26 November 2003 at paragraph 3.91.