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## **Rising tide of trade to sink Pacific**

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By Adam Wolfenden

Despite the interest in the lead up to the Pacific Islands Forum Leaders meeting in Cairns, the decision to commence trade negotiations barely made a mention in the news in the wake of the meeting.

As the Leaders' meeting approached it was looking like a Fiji-shaped spanner was going to derail Australia's trade ambitions. Fiji had contested its exclusion from PACER-Plus discussions on legal grounds, a position that was supported by the Solomon Islands and to a less extent, the Melanesian Spearhead Group.

Four days out from the Leaders' Meeting, Australia's Trade Minister Simon Crean tried to use a little bit of legal mumbo-jumbo to side-step Fiji's legal challenge and ensure that the Pacific Leaders would agree to launch trade negotiations. Addressing a public forum on the Pacific Mr Crean explained that when he talks about PACER-Plus he means a completely new agreement, distinct from PACER. Despite the New Zealand Ministry of Foreign Affairs and Trade website directly connecting the two, Mr Crean argued that legal rights for countries under PACER don't apply under PACER-Plus.

This was a new angle on the problem that was met by looks of disbelief. For all the officials, ministers and leaders in the crowd who had engaged in discussions on PACER-Plus on the basis of commitments under PACER this was somewhat shocking. Mr Crean however empathised, "I recognise the similar names - PACER and PACER Plus - has the potential to be confusing". What was confusing was why Australia had all of a sudden changed its defence for Fiji's exclusion from being based on a decision by leaders at last years Pacific Islands Forum, to a semantic, legally dubious name game.

With the benefit of Mr Crean's legal "clarity" the Pacific Islands Leaders (excluding Australia and New Zealand) met to discuss a whole range of issues among themselves prior to the full leaders meeting. The contrast between what was said when the Pacific Islands Leaders met and what was said after the meeting when Australia and New Zealand were present was stark.

At the press conference following the meeting of Pacific Islands Leaders (and before the full meeting), when pressed on the topic of trade negotiations the Premier of Niue Toke Talagi responded: "We have decided that we will continue with the pace that we want to develop this partnership" and that "we needed time to consider the implications as well as the consultations with our countries before we proceed to final negotiations".

The Solomon Islands Prime Minister added that the Pacific Islands Leaders still felt that negotiations should not start until 2013, the original timeline proposed by the Island Countries.

Two days later at the conclusion of the full leaders meeting Prime Minister Rudd, when asked about PACER-Plus, said that negotiations would start “a very robust soon”. The Leaders, in spite of their earlier misgivings, agreed to support the recommendations from their trade ministers to launch negotiations immediately as well as resolve the issues on timelines, consultations and capacity building. What changed the minds of the Pacific Leaders remains unknown. With Australia and New Zealand being the biggest aid donors in the region one can see the political implications of biting the hand that feeds. Did I mention the \$26 million Australia pledged in sporting facilities for the region?

With consultations and negotiations now about to be put on a timeline, the real impacts of PACER-Plus will start to come into play. One study has already forecast the loss of thousands of Pacific manufacturing jobs, three quarters of the entire employment in the sector. Another study has raised the loss of government revenue that Pacific countries are set to experience from the lowering of their import taxes. The other issue that is raising some concern in the Pacific is the loss of government policy space to regulate that would come with a free trade agreement.

The recent report released by the United Nations Conference on Trade and Development (UNCTAD) on Least Developed Countries (LDCs) has outlined the dangers that free trade poses for such countries, five of which are in the Pacific. The report highlights the need for LDC's to refrain from further trade liberalisation in order to preserve their financial bases, to support the expansion of domestic industries and ensure that policy space is retained to follow a development model that meets the unique needs of each country.

What's currently being talked about for PACER-Plus does nothing to support the recommendations from the UNCTAD report, in fact it works against them. The lowering of tariffs on Australian and New Zealand imports will see them flood into the Pacific, becoming the lion's share of forecast increases in trade under PACER-Plus. A Pacific free trade agreement will also bind and inhibit the level of regulatory space that governments have to nurture and develop their infant industries, ensuring that the one-size-fits-all free market model that gave us a financial crisis continues.

The Australian push for negotiations is actively undermining the ability of Pacific Islands to have the critical discussions that they need to have about how they want to economically engage with Australia. Ni-Vanuatu Member of Parliament Ralph Reganvanu has highlighted the importance of the traditional economy in not only providing food and shelter for Pacific peoples but also for insulating from the impacts of the global economic crisis. The unique role of the traditional economy needs to be considered in relation to PACER-Plus not only for the impact that PACER-Plus will have on it but also for the alternative that it promotes.

With a meeting of trade ministers coming up in November to decide upon the timetables for PACER-Plus it's unclear whether or not there will time for these discussions. With neo-liberal, free market theory hitting its high tide mark and now receding, it's time for the Pacific to explore the sea of new options.