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Salesman Crean and the Snake Oil trade remedy

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Like an old western, Trade Minister Simon Crean will be travelling the Pacific from today spruiking the benefits of a trade agreement between Australia, New Zealand, and the Pacific Island Countries. Like any travelling salesman though, Pacific countries should be aware of any deal that seems too good to be true.

In August this year Australia is hoping to announce the beginning of negotiations for a Pacific Trade Agreement when it hosts the Pacific Islands Forum. The trade agreement, known as PACER-Plus, will cover trade in goods, services, investment and intellectual property. Salesman Crean has hailed the agreement as a “development deal for the Pacific region”.

But the crowd is yet to be convinced.

A PACER-Plus agreement could see some Island governments losing up to A\$10 million each year in government revenue from reduced taxes on imports. For Vanuatu, this counts for 17% of its annual government revenue. Just how Pacific governments would continue to provide services with the loss of this much revenue is still unclear. Whilst consumer taxes like a GST are recommended to fill this void, that doesn't really look like working when many still exist outside the cash economy.

Pacific businesses will also be spared the benefits of increased competition and efficiency – most of them will be wiped out. Wadan Narsey from the University of the South Pacific has predicted that under PACER-Plus up to 80% of Pacific manufacturing would close down, putting thousands out of work. The 30% increase in trade that salesman Crean is proclaiming from PACER-Plus appears to be coming mostly from Australia and New Zealand.

Trade in services is also being offered in this economic development package. Opening up service markets would allow companies to ‘cherry-pick’ the most profitable buyers and supply to them. This has already been seen in private water services in Vanuatu, where a private company is making handsome profits from providing water to the richer parts of Port Vila, leaving the government to take care of the rest.

Like any good salesman however, Crean knows how to focus on the positives. PACER-Plus isn't a threat, it's an opportunity!

Accompanying Salesman Crean this time is his shrill, Parliamentary Secretary for Aid, Bob McMullan. McMullan is there to put the ‘plus’ into PACER-Plus with aid and development packages. This agreement is being seen as part of the Australian Government's broader approach which they like to think of as “enhancing prosperity

in the Pacific". The aid acts as a way to further promote the policies and goals from any PACER-Plus agreement. If Pacific countries want Australian aid it appears that it'll come in the shape of supporting PACER-Plus.

And that's why the crowd is still listening.

Despite all the impacts that are expected, there still aren't loud official voices coming from the Pacific against this. With many Pacific countries reliant on Australian aid there are political decisions in not rocking this boat.

Salesman Crean has also indicated that the Pacific seasonal worker program will be included in the negotiations. Pacific Islands have been chasing this for years and it appears that the only way that Australia will continue to offer it is if they sign up for the rest of the deal. Pacific workers can enter our markets only if our investors can enter theirs.

This is where Australia starts to throw its weight around.

Australia is gunning for negotiations to be announced in Cairns this year at the Pacific Islands Forum. Indeed Crean has already expressed his concern about what trade ministers will say to their leaders if they aren't ready to announce negotiations come August. Pacific Island Countries however don't seem so worried.

In their proposal for a way forward on PACER-Plus the Pacific Countries have proposed a process over six years with formal negotiations, if they go ahead, not starting till 2013. Many countries feel unprepared to commence negotiations after August, many are yet to still really study what impacts there will be.

It appears that the Australian government is more interested in stage managed symbolic victories. Announcing PACER-Plus negotiations in Australia fits perfectly with how Rudd's vision for new relations with the Pacific. Sadly though it's just repeating the same arrogance of the previous government.

The Pacific Island Countries have outlined clearly that they want an Office of Chief Trade Advisor set up well before any negotiations start, something Australia isn't interested in listening to. The Pacific Countries have learnt from their experience with the European Commission on the need to be organised and ready for trade agreements, yet Australia is keen to rob them of that chance.

Instead Australia has offered money for individual country research and 'capacity building' workshops to train Pacific negotiators. That's right, Australia is training Pacific negotiators on what a good trade agreement would look like with Australia. You don't have to think too hard to see how this could be problematic.

If Australia is serious about supporting economic development in the Pacific it needs to rethink its approach. Pushing a trade agreement onto the Pacific won't address the issues that these countries are facing. What's needed is a new approach, one that focuses on listening to the needs of communities and developing policy from that level up. Pacific Islands are under no obligation to enter into PACER-Plus talks until 2011, they are offering informal negotiations out of good faith, a trait Australia should reciprocate.

So as Salesman Crean makes his Pacific rounds with his PACER-Plus™ Snake-Oil, Pacific governments should read the label carefully. It may claim to heal economic ills but there are many who will say that this type of remedy only makes things worse.

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