

18 August 2009

Commencement of PACER Plus Negotiations

Mr Speaker, I have the great pleasure today to make a ministerial statement informing the House of a significant outcome of the Pacific Islands Forum leaders meeting held in Cairns this month from which an agreement by all of the Pacific Island leaders to commence negotiations on a new regional trade and economic integration agreement was announced. This agreement is known as PACER Plus.

This decision is not only an important commitment to the future prosperity of our immediate region, but an important building block to further economic integration within and capacity building for the region.

As decided by the forum leaders in Cairns, the PACER Plus negotiations will involve at the outset: Australia, the Cook Islands, the Federated States of Micronesia, Kiribati, Nauru, New Zealand, Niue, Palau, Papua New Guinea, the Republic of the Marshall Islands, Samoa, the Solomon Islands, Tonga, Tuvalu and Vanuatu.

The commencement of these negotiations comes after a period of exhaustive consultation throughout the region over the past 18 months. Exhaustive, but constructive and fruitful consultations, not only with ministerial counterparts in the region about the importance of trade and economic integration but also with senior officials, business groups and the NGO sector.

My ministerial colleagues-Stephen Smith, the Minister for Foreign Affairs, and parliamentary secretaries Bob McMullan and Duncan Kerr-and I have visited nearly all of the countries in the region to discuss with them on their soil the importance of regional economic integration and building capacity in the region.

We have also held many bilateral meetings with leaders, ministers and senior officials on regional priorities including PACER Plus outside of their countries. We have also hosted training sessions for senior officials to develop their skills in this important area.

In preparation for the decision taken at Cairns, we also had important gatherings in which all countries participated. There was, in May this year, an informal meeting of Pacific trade ministers in Auckland as a precursor to the formal meeting of trade ministers in June 2009 in Samoa. That meeting in Samoa resolved unanimously the recommendation which went to our leaders in Cairns to commence negotiations.

Since then, and to maintain the momentum following the decision in Cairns, we have also agreed to move quickly to establish another meeting of trade ministers before November to set the framework for the negotiations.

I have always been a believer in the process of consultation to secure progress, particularly in complex areas. I believe that this consultative process was necessary to overcome misunderstandings surrounding this agreement but also to get a better understanding of the genuine concerns of the region and the way in which we can help.

Out of those discussions, it was clear from the process that PACER Plus could address a number of issues common to the whole region to drive economic sustainability within it. For instance, the issue of compliance with Australian and New Zealand's strict quarantine requirements has been raised as a concern for a number of Pacific island nations. Products are being rightly stopped at the border because they do not comply. So there is a real opportunity to provide training and skill development to increase quarantine compliance in the region.

Similarly, developing consistent rules of origin within the region would be of great benefit so that products are being sold not simply to Australia and New Zealand but within and around the Pacific region. Also the importance of improving aviation links to encourage greater tourism and the liberalisation of the telecommunications industry for business and conductivity are some other areas that have been raised as priority areas.

But it is also clear that there is great potential to develop a region wide labour mobility and skills development program for the Pacific, particularly when you think about the large infrastructure projects within the region that are about to come on stream-the PNG LNG project, for example; the Australian Solomons Goldmine, as another example; and the defence initiated infrastructure build-up in Guam.

Of course, in addition to those common issues, each individual country is going to have an individual list of concerns for their nation and their people. That too will become an integral part of the structure as we move forward.

I have talked in this place and elsewhere often of the twin pillars approach to trade reform-reform at the border and structural reform behind the border. I do that because there is no point simply opening up markets if countries are not competitive enough or productive enough to take advantage of the consequent liberalisation. We only have to look at one agreement in the region itself to understand the significance of this problem.

SPARTECA is a good case in point. It was a commitment by Australia and New Zealand to open their markets for goods. I remember it well because I was the head of the trade union movement at the time it was developed. Apart from some opportunities in textiles, the evidence shows that opening the markets is simply not enough.

The reason is that in the case of developing countries it is complicated by the fact that they do not always have the capacity to undertake the structural reforms. Capacity building is essential. That is what is recognised in PACER Plus. It is putting the substance into the 'Plus' through aid for trade that responds to the needs identified by Pacific island nations. It could be country specific or it could be common to the region.

Quite frankly, from the point of view of trade, Australia is not primarily pursuing the PACER Plus agreement from the perspective of commercial benefit. Australia's primary objective with PACER Plus is a more sustainable and prosperous Pacific-an aspiration that I am sure we all share. To not address these aspects of capacity building could easily result in not only underperformance or stagnation but failed states. This objective is born out of all of the evidence that demonstrates that prosperity can be secured by countries engaging effectively with trade.

Another issue going to capacity is the negotiating capacity constraints faced by forum island countries. To overcome this we have committed to providing forum island countries with appropriate negotiating and technical capacity building and support. This which will enable forum island countries to fully participate in the negotiations and, ultimately, to reap the benefits of the new opportunities this agreement has the potential to deliver.

Australia and New Zealand have also committed to providing \$500,000 each a year for three years to help fund the Office of the Chief Trade Adviser (OCTA). This will be based in Vanuatu and it will be there to provide independent support and advice to forum island countries over the course of the negotiations. Not only is its independence guaranteed but the office can also seek additional funding from other donors and, indeed, is encouraged to do so.

Coming out of the Forum Trade Ministers Meeting in Apia, we have also moved quickly to provide funding and encourage the forum secretariat to advertise the OCTA position. The process has begun. Advertisements for the position were placed and applications closed on Friday 14 August. We are confident that the OCTA will be established very soon.

Australia has also been aware of some bad experiences arising from other regional negotiations around the EPA, the European Partnership Agreement, with the EU. We have listened and taken on board those concerns which have made many nations hesitant to activate PACER.

The Rudd Government in Australia and the Key Government in New Zealand have not pushed for the activation of the relevant provisions of PACER, which is a separate issue to PACER Plus-and I will explain that in a minute. But we did not push to activate the initiatives under PACER, which we were entitled to do because they had concluded with the EU. We chose not to go down that path even before the problems with Fiji.

I should highlight that, when I am talking about PACER Plus, I am referring to the forum's consideration of a new regional trade and economic integration agreement. This is completely separate from the PACER agreement. I recognise that the similar names-PACER and PACER Plus-have the potential to be confusing. But what is disingenuous in that confusion is the attempt by some to find a legal link between the two for the purposes of the Fiji issue, a country, I might say, which is increasingly showing little respect for the law.

Further, some argue that Australia has 'pressured' Pacific nations to commence these negotiations. That claim is not only wrong - it is disrespectful to the Pacific Islands Forum countries and their governments and it implies that Pacific Islands governments are incapable of judging what is in the best interests of their own people.

The unanimous recommendation of trade ministers and the decision of the Pacific Islands Leaders' is to commence negotiations. It is not a commitment to conclude negotiations. Conclusion of the negotiations will be a product of the success of those negotiations.

It is also important to remember that PACER Plus negotiations, including any consequent tariff reduction, will occur over a number of years and then any associated obligations will only be applicable to those countries that sign and ratify the negotiated outcome. I hasten to add that such tariff reductions will not only be a consequence of PACER Plus.

A reduction in tariff revenues is a necessary consequence of any trade liberalisation, however it happens, and a lot of it is happening already in the Pacific. It is happening at the multilateral level through accession to the WTO, which a number of countries are actively seeking. It is happening at the regional level through regional agreements, including PICTA and the EPA with the EU which I talked of before.

Nevertheless we do understand that this loss of revenue remains a concern to some countries. Research commissioned by the Pacific Islands Forum Secretariat on the revenue consequences of trade reform indicates that these consequences are manageable with the adoption of appropriate measures and carefully planned implementation.

Samoa is an example of a country in the region that has made the successful transition to alternative non-tariff based revenue structures. To assist the process of adaptation, we have provided funding for each Pacific Islands Forum country to commission independent research on PACER Plus to assess these and other impacts.

But the real message on how best to adjust is to secure new revenue streams through stronger, more sustainable economic growth coming from trade liberalisation and structural reform. The benefits of growth include jobs, wealth creation and new revenue opportunities. I say that because trade liberalisation does provide a very solid basis for growth.

Trade is a multiplier. Trade in global terms has grown at three times the rate of world output over the last 50 years. Trade is also a stimulus, which is why world leaders have elevated it to the suite of measures to address the global financial crisis.

So whilst tariffs are only one part of government revenues, self-sustaining economic growth and competitive engagement in the regional and global economy can provide a reliable and growing base of taxation revenue for each Pacific Islands Forum country. Australia believes that PACER Plus will help achieve this by boosting trade revenue earnings for companies and governments alike.

I now turn to the issue of Fiji in the context of PACER Plus. Fiji is a key regional economy, and it is important to remember that the measures taken against the military regime are not targeted at the people of Fiji.

We have always been mindful of the need for Fiji's participation in any concluded PACER Plus agreement because they are so integral to the region. The problem is that the actions of Commodore Bainimarama and his regime have led to Fiji's suspension from Pacific Islands Forum activities. In effect, Fiji has excluded itself.

PACER Plus is a Pacific Islands Forum initiative, and so it must have due regard for the Leaders' decision in January of this year in Port Moresby to suspend Fiji from Pacific Islands Forum activities if a timetable for a return to democracy was not established by May 1-a decision reinforced by forum leaders in Cairns two weeks ago.

Trade Ministers and Leaders are mindful of the need to keep Fiji engaged. But it has to be done through a mechanism consistent with the leaders' previous decisions involving Fiji's suspension. Accordingly, Leaders agreed that Fijian officials would be kept engaged and informed of the negotiations following each negotiation meeting by a representative from that meeting, with the representative also able to convey back to the next negotiation meeting any views from Fiji.

In line with this Government's commitment to transparent and inclusive trade policy, we have also ensured that there has been opportunity for state and territory governments, domestic stakeholders and interested members of the public to express their views on Australia entering into PACER Plus negotiations.

More than 30 written submissions have been received to date, including from companies, industry bodies, academics, non-government organisations, unions and individuals. Meetings have also been held in state capitals with a wide variety of interested stakeholders.

There is a strong view amongst domestic stakeholders that capacity building and development assistance should be at the heart of the negotiations, to equip forum island countries with the necessary tools to take full advantage of the opportunities arising from greater regional integration and trade.

A number of stakeholders have expressed concerns on the need for forum island countries to undertake domestic consultations, possible loss of tariff revenue and the potential impact of trade liberalisation on small and fragile forum island country economies.

I acknowledge these concerns and we have been active in engagement and consultation-consultation which will not stop. We will continue it. But to do nothing until all consultations are concluded is just a recipe for delay. What are we supposed to consult on, realistically, if we have not commenced negotiations? By starting the discussions formally, we can inform and provide a dynamic to the consultations each country has already engaged in but which will be ongoing.

I am very pleased to make this report to the House. It is a significant development. PACER Plus has the ownership of all Pacific Island Forum leaders. The decision by the leaders reflects a genuine desire to build economic sustainability in the region, and to recognise the different stages of development each country is in.

We have sought to understand the concerns of the region, to address the misconceptions created by previous negotiations, and to work constructively with our neighbours in the Pacific in order to realise the great potential of the region.

It has taken a lot of effort to get here, but I can report significant progress. The task ahead of us now is to build on these foundations. That is what the Rudd government is committed to achieving, and I commend the initiative to the House.

I now table a document that, together with this statement, summarises the views submitted as part of the consultation process.