

The Pacific

CER

- 5.1 The Closer Economic Relations agreement between Australia and New Zealand (CER) has been described by the Chair of the WTO Trade Policy Review Body as:

...one of the world's most comprehensive trading arrangements.¹

- 5.2 The Ministerial Communiqué at the end of the CER Ministerial meeting in 2004 noted that:

The CER, which commenced in 1983, is undoubtedly the world's best example of a comprehensive free trade agreement and a model for both countries in their negotiation of newer free trade agreements.²

- 5.3 In his evidence to the Sub-Committee, the NZ Deputy High Commissioner commented that the comprehensive coverage of CER is gradually being reflected in other agreements negotiated by Australia and NZ:

The other point I would make is that there has been something of a negative metaphor around so-called low quality, spaghetti bowl creating agreements. If you look at the most recent free trade

1 WTO, Trade Policy Reviews: Second Press Release and Chair's Conclusions, *New Zealand: October 1996*, http://www.wto.org/english/tratop_e/tpr_/tp44_e.htm, accessed 5 August 2010.

2 Australia and New Zealand Closer Economic Relations Joint Ministerial Communiqué, 11 December 2004, p. 1, http://www.dfat.gov.au/geo/new_zealand/anz_cer/cer_communique_2004.html, accessed 26 February 2010.

agreements that both Australia and New Zealand have concluded, that suggests to you that those agreements are comprehensive, they are what trade negotiators call 'very clean', and they are providing the basis for engagement around some of the broader free trade zones that we are all interested in our region.³

5.4 In March 2009 the Australian and NZ Prime Ministers reiterated the importance of continuing to strengthen and deepen the relationship – with the long-term aim of a single economic market. They agreed to pursue a variety of measures, including: accelerate the harmonisation and alignment of regulations; finalise an Investment Protocol; complete a new Tax Treaty; review the CER Rules of Origin; further reduce border barriers for both goods and travellers; strengthen cooperation in achieving open markets and trade; and expand joint trade promotion activities. The Prime Ministers called for substantial progress on these and several other issues and requested a progress report after the July 2010 CER Ministerial meeting.⁴

5.5 The New Zealand Deputy High Commissioner, in giving evidence to the Sub-Committee, commented that for NZ CER is the most important free trade agreement and Australia is the largest trading partner. He added that Australia takes about 25 per cent of New Zealand's products, with a value of \$10 billion and growing fast.⁵

5.6 He noted that there had been substantial growth in services trade between Australia and NZ, an increase of 67 per cent in recent years, to reach about \$6 billion. He said also that the forthcoming CER investment protocol will help to further stabilise and facilitate investment flows.⁶

5.7 The Deputy High Commissioner said that most Australian companies in the export field actually got their start by exporting to NZ:

In fact, more Australian companies export to New Zealand than to any other market and the figures are quite striking. In 2007-08 nearly 18,000 Australian companies exported to New Zealand. That compares with less than 10,000 that exported to your next most important market, which is the United States.

3 New Zealand Deputy High Commissioner, Committee Hansard, 10 March 2010, p. 4.

4 Key and Rudd – Joint Statement on Strengthened Trans-Tasman Cooperation, 2 March 2009, p. 1, <http://www.beehive.govt.nz/release/joint+statement+strengthened+ns-tasman+cooperation>, accessed 22 September 2010.

5 New Zealand Deputy High Commissioner, Committee Hansard, 10 March 2010, p. 3.

6 New Zealand Deputy High Commissioner, Committee Hansard, 10 March 2010, p. 3.

If you drill further into the data what is very interesting about these figures is that the high-end manufacturing niche industries, where the highest value added is returned to the exporters, are the companies that are trading into New Zealand. The IT companies and the high-value, high niche-end manufacturing industries are doing best in New Zealand. They are the ones who are experiencing the greatest growth.

So, in terms of CER, this has very much been a two-way exercise for both of us in developing our own export capacity, in ... leveraging out.⁷

- 5.8 He noted that there was still much to be done under CER, even though tariffs and service barriers have been dealt with:

There is of course our shared agenda for the Single Economic Market. That often tends to be forgotten because it is not as headline grabbing as some of the other stuff that we do. It includes things like the ability for both countries to offer securities, to simplify cross-border insolvency proceedings, to make trans-Tasman company registration easier and to better align our competition law between us.

As I said, none of those are headline grabbing issues, but they are exactly the kinds of things that reduce the friction to our companies doing business with one another. I think it is a critical part of our process. I like to think of them as the quiet achievers. They do not make a big fuss, but they are the ones who will deliver the big gains to our companies over time. That is a very important part of the agenda.⁸

- 5.9 The 2010 CER Ministerial Forum confirmed the importance of pushing ahead with closer integration of the two economies:

The trans-Tasman relationship is the closest and most comprehensive there is for both countries. Work to develop the relationship further was given added energy by the agenda set by the two Prime Ministers in their March and August 2009 meetings. This agenda reflects the resolve of both governments to take the relationship to a new level, including deeper economic integration.

CER Ministers welcomed the progress achieved over the past year in strengthening the economic and trade relationship, taking

7 New Zealand Deputy High Commissioner, Committee Hansard, 10 March 2010, p. 3.

8 New Zealand Deputy High Commissioner, Committee Hansard, 10 March 2010, p. 4.

Australia and New Zealand further along the path towards a single economic market. ...

The importance of the economic relationship is reflected in trade and investment levels. Two-way trade between Australia and New Zealand was A\$20.6 billion (NZ\$25 billion) in 2009, including goods and services, only slightly lower than the previous year despite the economic downturn. The countries are close investment partners, with total accumulated investment between them standing at over A\$90 billion (NZ\$ 110 billion).

The stronger economic links parallel increasing people-to-people contact. Visits in each direction exceeded one million in 2009, and there are around half a million New Zealand citizens in Australia and about 65,000 Australians in New Zealand.

Reflecting the deepening integration of the two economies, Mr Groser⁹ will join the Ministerial Council on International Trade, which brings together the Australian Commonwealth, State and Territory Governments for consultations on issues concerning trade and international competitiveness. Mr Groser will attend his first MCIT meeting in Sydney on 30 June.

New Zealand's participation in the MCIT will provide increased opportunities for close and effective consultation on important areas of mutual trade interest.¹⁰

Trans-Pacific Partnership

- 5.10 The idea of the Trans-Pacific Partnership (TPP) had its beginning in the so-called P4 group (Trans-Pacific Economic Partnership Agreement). It was formed between Chile, New Zealand and Singapore in 2005 and joined by Brunei in 2006.¹¹
- 5.11 Australia, Peru and Vietnam all indicated their interest in joining the group and negotiating an agreement – to be called the Trans-Pacific Partnership Agreement. The decision by the US Government to also take
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9 The New Zealand Minister for Trade.

10 Department of Foreign Affairs and Trade, *2010 CER Ministerial Forum: Joint Statement*, Canberra, 23 June 2010, http://www.dfat.gov.au/fta/anzcerta/cer_communique_2010.html, accessed 14 October 2010.

11 Andinas Media Release, *Peru, Australia and the US want to join P4 group*, AND 205033, 20 November 2008, <http://www.andina.com.pe/Ingles/Noticia.aspx?id=BgPWDumZBL8=>, accessed 16 March 2010.

part in the negotiations has given the group the critical mass it needed to progress the discussions.¹²

- 5.12 The NZ Deputy High Commissioner noted the potential of the agreement and said that it had always been planned as a benchmark for an expanding regional trade architecture:

And we are, of course, rather pleased with that agreement because it has its origins in the Pacific Four Partnership that we struck with Singapore, Chile and Brunei in 2005.

We had always had it in mind back then that this would be a pathfinder agreement, that the P4 agreement would form the basis for an evolving regional architecture in the region, and we are really pleased that Australia has applied to join that agreement, along with the United States, Peru and Vietnam.

It is a very exciting development for a whole range of reasons...¹³

- 5.13 The first round of negotiations began in Melbourne on 15 March 2010. Australia's Trade Minister, Hon Simon Crean MP, called the discussions "a major milestone". He said that:

The Trans-Pacific Partnership represents a pathway toward achieving APEC's long-term goal of a Free Trade Area of the Asia-Pacific. ...The TPP will be an ambitious, 21st century agreement that will strengthen economic integration in the region

The Australian Government will be seeking a high standard, comprehensive agreement that complements the WTO Doha Round.¹⁴

- 5.14 The Minister commented that:

The participation of the US is an important signal of the Obama Administration's commitment to the region, and an encouraging sign of a broader US engagement on trade policy issues.

He said that the:

...negotiators will explore new approaches to the obstacles facing businesses in the region, particularly in emerging sectors and

12 The Hon Simon Crean, Minister for Trade, *The Trans-Pacific Partnership – Moving Forward*, Media Release, 14 November 2009.

13 New Zealand Deputy High Commissioner, Committee Hansard, 10 March 2010, p. 5.

14 The Hon Simon Crean, Minister for Trade, *Pushing forward with the Korean FTA and the Trans-Pacific Partnership*, Media Release, 15 March 2010.

growing areas in international trade, including services, e-commerce and green technology.¹⁵

- 5.15 In evidence given to the Sub-Committee DFAT set out the purpose of the agreement and its long-term aims:

The aim of this agreement is to put in place a comprehensive high-quality agreement that we hope will form a building block for greater regional economic liberalisation and integration. It is one possible pathway towards a free trade area of the Asia Pacific but by no means the only one. It is an agreement by a group of countries who are interested in taking a high-quality approach to these agreements and exploring ways in which we can be responsive to business needs in the 21st century.¹⁶

- 5.16 Some commentators in the US are more sceptical of the possibilities. An article by the Cato Institute's Sallie James commented:

Four of the seven TPP partners, for example, already have a free trade agreement with the United States. The other three are relatively small markets – and are already attracting criticism from domestic lobby groups concerned about competition from imports.¹⁷

- 5.17 The author went on to say:

Free trade in dairy products from New Zealand, for example, could bring significant benefits to U.S. consumers paying through the nose for dairy products. Alas, though, the dairy farmers and their sponsors in Congress have already stepped up the fight to protect their turf. Similarly, the textile lobby has warned that textile and apparel from Vietnam would not be welcome.¹⁸

- 5.18 Australian commentators were more hopeful; for example, Kristen Bondiotti at ITS Global commented:

The decision of the Obama Administration to participate indicates a clear intention to engage on trade in the Asia-Pacific region. It

15 The Hon Simon Crean, Minister for Trade, *Pushing forward with the Korean FTA and the Trans-Pacific Partnership*, Media Release, 15 March 2010.

16 Department of Foreign Affairs and Trade, Committee Hansard, 25 November 2009, p. 6.

17 Sallie James, *Keep Trade on the Back Burner, Please*, CATO Institute, 17 March 2010, p. 1, http://www.cato.org/pub_display.php?pub_id=11578, accessed 19 March 2020.

18 Sallie James, *Keep Trade on the Back Burner, Please*, CATO Institute, 17 March 2010, p. 1, http://www.cato.org/pub_display.php?pub_id=11578, accessed 19 March 2020.

will give new weight to the negotiations and provide impetus for progress by 2011, when the US will host APEC.

It should encourage over time, broader membership from important economies in the region, including China, Korea, Japan, Malaysia and other ASEAN countries.

The TPP has been touted as a possible platform for an FTA involving all APEC members. It will build on the Trans Pacific Strategic Economic Partnership Agreement (P4) among Chile, New Zealand, Singapore and Brunei to include Australia and Peru, as well as the US and possibly Vietnam. The P4 ... is generally regarded as a comprehensive and high quality free trade agreement. Indeed, one of the objectives in negotiating it was to create an FTA that could be seen as a model within the Asia-Pacific region and could potentially attract new members.¹⁹

- 5.19 The Sub-Committee considers that this agreement has the potential to close some of the gaps in Pacific relationships and, in time, to integrate closely with the aims and activities of APEC.

PACER Plus

- 5.20 For the last two years the Australian and New Zealand Governments have been consulting with Pacific Island leaders about a proposed new trade and economic integration agreement for the Pacific region.
- 5.21 Australia and NZ have offered tariff concessions and marketing assistance to the nations of the Pacific Islands Forum for many years; under SPARTECA.²⁰ The intention is, however, that the proposed agreement will go much further, by seeking to address issues that are of particular importance to the island nations but are not covered by SPARTECA.
- 5.22 In announcing the decision to commence negotiations, the then Minister for Trade, the Hon Simon Crean, said that the aim of the agreement would be to promote economic sustainability in the region. He noted that

19 Kristen Bondietti, Principal Consultant, ITS Global, *The Trans Pacific Partnership FTA – Setting Standards for Economic Integration*, APEC Currents, The Australian APEC Study Centre, RMIT University, Melbourne, Issue 1, March 2010, p. 1.

20 The South Pacific Regional Trade and Economic Co-operation Agreement.

eighteen months of consultations had been undertaken to ensure that the matters of concern to the islands were dealt with.²¹

5.23 The Minister gave several examples of major difficulties faced by the Forum Islands in trading with the Australian and NZ markets. He noted that:

- compliance with strict quarantine requirements is an issue for several nations;
- development of a consistent set of rules of origin would be of benefit to the entire region;
- improvement of aviation links would be of great assistance to tourism;
- liberalisation of the telecommunications industry is a priority area, particularly for business;
- region-wide labour mobility has been a very high priority for some years now; and
- the development of technical skills is essential if the island nations are to gain full benefit from the large infrastructure projects now being established in the region.²²

5.24 During the inquiry, the Sub-Committee heard evidence from the Pacific Islands Trade Commissioner, who represents the Pacific Islands in Sydney and seeks to encourage trade and investment links with Australia:

The Pacific Islands Trade and Investment Commission, or PITIC, as it is commonly referred to, is one of four trade offices of the Pacific Islands Forum Secretariat. The forum is based in Fiji and is the region's premier political and economic policy organisation, representing the 14 Pacific Island nations as well as Australia and New Zealand.

PITIC Sydney is tasked with the promotion of trade and investment between Australia and the Pacific. We encourage trade from the Pacific to Australia and promote investment from Australia back to the Pacific. ... PITIC is the leading agency that focuses on delivering export and investment facilitation services across key industry sectors, which include agriculture, fisheries, general goods and limited services.

21 The Hon Simon Crean MP, Minister for Trade, Commencement of PACER Plus Negotiations, Transcript of Ministerial Statement, 18 August 2009, p. 2.

22 The Hon Simon Crean MP, Minister for Trade, Commencement of PACER Plus Negotiations, Transcript of Ministerial Statement, 18 August 2009, p. 2.

We work in tourism promotion, and this year we have also begun to do a bit of export facilitation in the creative arts, which is important to the region. We also work in the complex area of investment promotion and facilitation.²³

Capacity Building

- 5.25 In a Ministerial Statement to the Parliament, the Minister said that, rather than being a commercial agreement, the main emphasis of the new agreement will be on capacity building in the Pacific:

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.²⁴

- 5.26 The New Zealand Deputy High Commissioner offered similar comments to the Sub-Committee:

We should not forget the fact that Pacific island countries already have duty-free and quota-free access to New Zealand and Australia. This agreement is no longer about a traditional free trade agreement; it is no longer about a knockdown, drag-you-down fight around tariff removal, because we are tariff-free to them.

What it is actually about – and your Prime Minister and your Minister for Trade have talked in some detail about what this might comprise – is putting economic sustainability at the core of this negotiation. It is about us thinking very hard and creatively about the trade and development nexus that we need to confront with the Pacific. If you like, this is about a hand up, not a handout in the agreement.²⁵

23 Trade Commissioner, South Pacific Trade and Investment Commission, Committee Hansard, 28 October 2009, p. 2.

24 The Hon Simon Crean MP, Minister for Trade, Commencement of PACER Plus Negotiations, Transcript of Ministerial Statement, 18 August 2009, p. 3.

25 New Zealand Deputy High Commissioner, Committee Hansard, 10 March 2010, pp. 3-4.

- 5.27 He added that some examples of ways in which Australia and New Zealand might assist the Pacific economies, not only in trade with our two countries but also in creating new opportunities within their own economies:

What ministers have been talking about that I think is of the greatest interest is the capacity building process, in other words development assistance. It is not going to be just development assistance in its traditional form. This is going to be development assistance that is designed to build capacity to take advantage of the trade agreement.

To give you a couple of practical examples, in the case of New Zealand some time ago we established a particular section in the Ministry of Agriculture that would process requests from Pacific island countries on quarantine questions as a priority. That was one way to try to assist them and to help them directly. You could see a process whereby you would have a New Zealand quarantine or MAF official working directly with the Pacific island counterparts on tropical fruit access to the New Zealand market, to try to help them establish the kind of mechanisms they need. Remember that these are going to be very small, not even medium sized, enterprises that are going to do this.

The other interesting question is going to be building capacity around servicing the local economy as well. You could see, for example, scope for local tropical fruit producers to increase the quality of production domestically to provide for the hotel services trade. I think you will be as surprised as I was to learn that many hotels in the region simply do not have a secure supply of products, so they rely on getting products from outside of the direct region. You can see that there is a little niche capacity there to build up.

Around tourism services, for example, we could look to provide targeted specific assistance to help them maximise the benefit of tour groups that come through. I could see a way in which our two countries, our trade promotion agencies, are thinking about how they might work together to bring, for example for the Rugby World Cup, when you have visitors coming to New Zealand as to how is the Australian trade promotion authority looking to talk to us about how they might bring them over to Australia as well. We have had a long-running tradition of trying to get people that come to visit Australia to nip across the ditch to come and see us

in New Zealand. We could envisage a way of extending that by adding one or other of the Pacific islands on to that process as well.

I think there is a real, keen interest on the part of Pacific island countries to look at what that capacity building is going to look like, but that kind of dialogue cannot be just a one-way conversation. It has got to be one where they also are clear about the kind of things that they need and where they would most benefit, but we would be very clear that this kind of capacity building is designed to help them leverage the benefits of economic integration and this kind of free trade agreement.²⁶

- 5.28 The Pacific Islands Trade Commissioner commented in his evidence to the Sub-Committee that the proposals for PACER Plus go well beyond what is offered under SPARTECA:

SPARTECA is clearly just a free trade agreement between the Pacific Islands and Australia to import tax-free goods. The exporters we work with take advantage of SPARTECA. PACER Plus is more of a creative regional cooperation agreement which will encompass a lot of other factors rather than looking solely at the trade elements. If you read between the lines, it will incorporate the labour issue. It will incorporate the delivery of aid. It will touch on capacity building as well, and a whole lot of other issues that need to meet WTO guidelines will come together. It is a regional agreement but it obviously has a free trade agreement style to it.

Many of the countries do not have the expertise and experience to negotiate their position. The Office of the Chief Trade Negotiator, which hopefully will be in place by the end of the year, will have many challenges in bringing the 14 forum island countries to an informed position.²⁷

- 5.29 One of the important aspects of capacity building highlighted by the Minister is the capacity of the islands to effectively negotiate their position in discussions about the agreement. This will be addressed in two ways:
- by providing appropriate technical capacity building and support to enable the Forum Islands to fully participate in the negotiations; and

26 New Zealand Deputy High Commissioner, Committee Hansard, 14 April 2010, pp. 10-11.

27 Trade Commissioner, South Pacific Trade and Investment Commission, Committee Hansard, 28 October 2009, p. 13.

- Australia and NZ will provide \$500,000 a year each for three years to fund the Office of the Chief Trade Adviser (OCTA).²⁸

5.30 The OCTA will be based in Vanuatu and will “... provide independent support and advice to Forum Island countries over the course of the negotiations”. The Minister said that OCTA’s independence was guaranteed and that it was also encouraged to seek additional funding from other sources.²⁹

5.31 The South Pacific Trade Commissioner, however, indicated that a lack of information on the anticipated benefits to the Islands is posing real problems:

I think that there is still a real lack of information out there about what the potential benefits of this agreement would be, or of free trade agreements in general. But, as I said previously, PACER Plus is being positioned as a regional agreement encompassing many other things now. As alluded to, I am not sure whether the public sector has had the opportunity to fully inform the private sector in a lot of the Pacific Island countries as well, and so more time is needed. It is very challenging.

In terms of trading, a lot of these countries do not have the capacity to take advantage of the agreement, as they have not taken full advantage of SPARTECA. I think that we have to look historically and look at what is happening with the EPA negotiations and with the other negotiations. I think that it all gets back to the capacity to take advantage of these agreements.³⁰

5.32 When asked if some of the problems were based on the likely loss of Customs revenue, he said:

That is right. I think that is where most of the fear is. It is a real fear. A lot of these countries rely heavily on that revenue. As I pointed out, I do not think the world is going to change and suddenly start creating trade surpluses with Australia and other countries, so that imbalance will always exist. But that comes at a

28 The Hon Simon Crean MP, Minister for Trade, Commencement of PACER Plus Negotiations, Transcript of Ministerial Statement, 18 August 2009, p. 3.

29 The Hon Simon Crean MP, Minister for Trade, Commencement of PACER Plus Negotiations, Transcript of Ministerial Statement, 18 August 2009, p. 3.

30 Trade Commissioner, South Pacific Trade and Investment Commission, Committee Hansard, 28 October 2009, p. 14.

later stage in the negotiations, when the countries get down to the nitty-gritty and talk about the harmonised tariff codes.³¹

Rules of Origin

- 5.33 The NZ Deputy High Commissioner also referred to a problem faced by the Pacific Islands in taking advantage of the duty-free access offered to their products:

There is one thing that I think we forget about that is very important to Pacific island countries, and that is the rules of origin. Many Pacific island countries have complained that it has all been fine to have duty free and quota free access to the New Zealand and Australian markets, however ... their production processes and facilities are simply unable to take advantage of this duty free access that they have to the New Zealand market or to the Australian market because the rules of origin are so out of date.

If you compare, for example, the rules of origin that we have agreed with ASEAN countries, which includes some least developed countries – Laos, which is not even in the WTO, Cambodia and Burma – those countries have better rules of origin applying to them entering the Australian and the New Zealand market than the Pacific island countries currently do. That is obviously something that Pacific island countries could legitimately expect us to fix for them.

We would need to make more facilitating rules of origin for them. We would update the way in which SPARTECA handled rules of origin. In effect, it has not. What we would look to do is make those more liberal and that would allow Pacific island countries to actually get the benefit that we have given them for such a long time that they have not been able to take advantage of. Rules of Origin is a really important element of that negotiation.³²

- 5.34 The Sub-Committee sought further clarification on the question of Rules of Origin and the Deputy High Commissioner added:

Essentially, a rule of origin would apply whereby you would produce a certain amount of a product in a Pacific island country and you would qualify for the duty free access.

31 Trade Commissioner, South Pacific Trade and Investment Commission, Committee Hansard, 28 October 2009, p. 14.

32 New Zealand Deputy High Commissioner, Committee Hansard, 14 April 2010, p. 10.

At the moment you could have a situation where a product comes from outside the region, say China or Japan, a certain amount of value is added in the Pacific, but it is unable to qualify for the current rules of origin for the duty free access, so it has to go under the WTO rate. For example, in textile, clothing and footwear, in the case of New Zealand – and I know you are in a very similar situation – you are talking about tariffs in excess of 10 per cent. Even if they can add a little bit of value in the Pacific they are not able to benefit from the lower duty.

The idea of the rules of origin would be to try to facilitate that so that you get that kind of access. We can ask ourselves a question about whether or not textile, clothing and footwear is really where the comparative advantage of Pacific island countries lies or whether it is somewhere else. Regardless of what we think, it is the rules of origin that determine whether a product qualifies for that lower duty or whether it has to come in under the WTO standard rate that applies for China, India and any other country that comes through.³³

Labour Mobility

5.35 Another problem that has worried the islands for many years is the question of labour mobility:

[Another] area that I know is a sensitive one is, of course, regional mobility, labour mobility. New Zealand has a longstanding set of arrangements with a number of Pacific island countries. I know you have something similar, perhaps of a slightly different type. It will be those kinds of things that Pacific island countries will be looking to because of the value of remittances, because of the way in which you can upskill your labour force, how you bring them back and how that capacity building can help.

Those would be my three things that I would identify: the rules of origin in a really practical way, the trade and development angle with this building capacity question, and then of course regional mobility has to be at the heart of this negotiation from the perspective of the Pacific island countries.³⁴

33 New Zealand Deputy High Commissioner, Committee Hansard, 14 April 2010, pp. 11-12.

34 New Zealand Deputy High Commissioner, Committee Hansard, 14 April 2010, p. 11.

Submission on Women's Issues

- 5.36 A submission by the International Women's Development Agency (IWDA) commented that an important aspect of the PACER Plus negotiations will be the willingness of governments to:

...systematically integrate gender into trade analyses and approaches to negotiation. Regional economic policy needs to be aligned with regional and national gender equality commitments to contribute to equitable development.³⁵

- 5.37 Failure to do this, the IWDA said:

...may result in women being disproportionately excluded from economic opportunities created by trade liberalisation. At the same time women will carry an unequal burden of trade adjustment costs, exacerbating prevailing gender inequalities.³⁶

Special steps to promote women's participation in consultation processes are necessary given their marginalisation in the private sector and poor representation at government levels.

Given the isolation and geographic dispersion of populations in Pacific island countries and the marginalised position of women in society, genuine consultation will require the creation of a safe space for women to be able to speak out and adequate time for hosting meetings in rural areas and then collating and analysing data. Negotiation time frames should be developed with this in mind, and governments should be encouraged.³⁷

- 5.38 In giving evidence to the Sub-Committee the Executive Director of the Agency said that while her comments were particularly relevant to the proposed PACER Plus Agreement the comments have a more general application:

What I say here, though, can be applied equally to the development of FTAs with other developing countries. There is a real chance for Australia to step up and create a best-practice model.³⁸

35 International Women's Development Agency, Submission 45, p. 5.

36 International Women's Development Agency, Submission 45, p. 6.

37 International Women's Development Agency, Committee Hansard, 2 June 2010, p. 4.

38 International Women's Development Agency, Committee Hansard, 2 June 2010, p. 1.

- 5.39 The Executive Director commented that unless proper steps are taken to ensure that women can participate in programs arising from trade agreements, they may, in fact, finish worse off than before the agreement:

Trade relations can promote new business development and job opportunities and can favourably impact on the price of goods due to increased competition.

However, if women are not equally placed to access economic opportunities or share in the benefits of these opportunities – so if they have limited mobility, training and skills and if imported goods impact on women’s limited livelihood opportunities without providing alternative options and if it cuts into tariff revenues that affect health and social spending with disproportionate impacts on women and children – not only will women bear the burden of adjustment costs but also they could be further marginalised in social, economic and political life with implications for their and their children’s health, status and life experience and, consequently, for the development of their country.³⁹

- 5.40 The IWDA noted that the countries involved are signatories of the Convention on the Elimination of All Forms of Discrimination Against Women:

This convention recognizes the rights of women to economic equality and commits signatory governments to take steps to address inequalities through social and economic policy. These nations have also made commitments to achieving the Millennium Development Goals, which call for gender equality and the empowerment of women: a goal widely regarded as a necessary prerequisite to achieving the remaining seven goals.⁴⁰

- 5.41 The Agency said that failure to address gender issues, particularly in the Pacific, could undermine the advantages created by an agreement:

In the Pacific, gender inequality affects women’s engagement in formal and informal economies. Significant wage gaps exist between women and men. Work opportunities are often segmented by sex, and women face discriminatory government policies and social norms when trying to access business finance, licences and networks.

39 International Women’s Development Agency, Committee Hansard, 2 June 2010, p. 2.

40 International Women’s Development Agency, Submission 45, p. 5.

With limited decision-making rights and limited mobility and time due to responsibilities for household and caregiving work and subsistence food production, women's opportunities to engage in paid work are often limited to flexible yet insecure informal sector work. Also, much of what is important to poor people, and especially to poor women, is invisible to conventional analysis and data collection.⁴¹

5.42 The IWDA said that "DFAT is in a unique position to be able to drive an innovative process that links economic development objectives to gender equality in the Pacific". It concluded by recommending some initial steps toward achieving gender equality:

- Support the gender analysis of trade policy options at a national level through direct funding provision to national governments, regional NGOs or bodies such as the Pacific Islands Forum Secretariat.
- Support an inclusive approach to the region's future development that involves the input of diverse voices in civil society, faith groups, unions and government. Given the isolation and geographic dispersion of populations in Pacific Island countries, and the marginalised position of women in society, genuine consultation will require the creation of a safe space for women to be able to speak and adequate time to host meetings in rural areas and then collate and analyse data.
- Work with AusAID to support the strengthening of women's machineries and each National Council for Women (or other appropriate agencies) to engage in discussions with trade departments on trade analysis.
- Integrate gender analysis into all Aid for Trade activities including research initiatives, fellowship programs and any future activities.
- Ensure that gender is integrated into the negotiation agenda and processes.⁴²

5.43 The Executive Director summarised her arguments by saying:

... in order ultimately to address ...gender inequality and reduce or mitigate negative impacts of trade and maximise opportunities for women to engage in economies, we need to look at women's substantive role in economies – both monetised and otherwise – and how trade will impact on their roles, responsibilities and

41 International Women's Development Agency, Committee Hansard, 2 June 2010, p. 2.

42 International Women's Development Agency, Submission 45, p. 6.

opportunities. This requires that we take a gendered approach from the outset.

Integrating gender into trade policy development and negotiation processes not only serves as an essential step in promoting efficient and effective economic policy but also ensures policy coherence between trade and aid objectives and provides the opportunity for the Australian government to model best practice in the sector. The recommendations identified have relevance across the Australian government's entire trade program.

Attention to gender in trade is a rights issue as well as an efficiency issue. Policies which improve women's access to and control over economic and financial resources have direct implications for both women's economic empowerment and broader processes of development. Locating those policies within a framework of rights ensures that women's access to resources is made part of their entitlements as citizens rather than left to the largesse of the state, the discretion of male providers or the vagaries of the market.⁴³

5.44 The Sub-Committee discussed the IWDA comments with a representative of AusAID, who indicated that in quite a few of the areas mentioned, AusAID is already incorporating the ideas outlined by the IWDA and giving due recognition to gender issues. For example, AusAID has funded research on PACER Plus and its potential effects on each Forum Island country.⁴⁴

5.45 That said, however, Australia can only suggest that gender issues be included:

The terms of reference for those studies are determined by each country. ...clearly for reasons of confidentiality we do not dictate directly what issues that research covers but we can certainly be suggesting that gender issues could be included. We also do not see the final product unless countries are keen to give that to us.⁴⁵

5.46 AusAID continued by outlining some of the areas where gender issues are being kept to the forefront:

There has been agreement among forum trade ministers that there will be an annual consultation process with regional non-state

43 International Women's Development Agency, Committee Hansard, 2 June 2010, p. 4.

44 Committee Hansard, 3 June 2011, p.12.

45 Committee Hansard, 3 June 2011, p.12.

actors, which effectively means non-government organisations and the private sector. There was one of those meetings in Honiara ...AusAID was represented also. There is an intention to hold another such consultation at the next PACER Plus negotiating meeting, which is tentatively set for November this year.

At the one in the Solomon Islands a number of non-government organisations, including women's groups, were represented. So at that regional level there is an opportunity for women's groups to be involved. At the national level we are certainly very consistently supporting the intent of governments to conduct national consultation. ...we are consistently emphasising to countries that this is an important ongoing process and that there need to be widespread consultations including all elements of society – which would include, of course, women's interests as well.

We are also doing quite a lot of work on leadership programs. The impacts of trade or PACER Plus in particular on outcomes for women really depends to a large extent on the broader way in which women's and men's roles are there in each Pacific country. That varies across countries, of course. But we are working on a number of broader programs including on leadership issues. I believe the statistics in terms of women's participation in political leadership are quite stark. For instance ... Several countries have no female representation at the political level at all. So a number of leadership programs are under way that address those sorts of issues.

On the broader economic empowerment and private sector development side, we are also involved both through having done detailed studies and in partnership with the International Finance Corporation, which is quite active in private sector development in the region. They have done studies on our behalf of the constraints to women's involvement in economic activity in the Pacific.⁴⁶

46 Committee Hansard, 3 June 2011, p.12.

Recommendation 15

The Sub-Committee expressed its satisfaction that AusAID has given some emphasis to gender issues in negotiations with the Pacific Islands Forum countries. It proposes that these issues should continue to be advanced by DFAT and AusAID as a priority.

5.47 AusAID's representative appearing before the Sub-Committee was asked for some comments on the issues raised by the IWDA. In general, the comments indicated that AusAID agreed with the proposals and, in fact, was already applying a number of them:

We note that that submission made a number of recommendations focusing in particular on the potential gender implications of the PACER Plus negotiations. For example they recommended provision of funding to national governments, regional NGOs or the Pacific Islands Forum secretariat for independent research studies.

They recommended wide consultation on trade issues, particularly in relation to PACER Plus, strengthening national bodies such as councils for women to engage in trade discussions; ensuring that gender is taken into account in all trade related aid activities, including research and fellowships; and integrating gender into the negotiation agenda and processes.

I guess in a nutshell AusAID's response to the IWDA submission is that we agree on the importance of gender issues in relation to trade issues specifically and economic empowerment issues more broadly and we are already undertaking the types of activities that the IWDA recommends. Certainly in terms of our approach to gender in development more broadly the Australian government is committed to implementation of the Millennium Development Goals. As you would be aware, of course, gender equality is central to achieving those goals.

Trade policy is one of many factors that impact on the ability of men and women to participate in and benefit from economic opportunities, both in the formal and the informal sectors. Australia and other donors are increasing understanding of these factors in the Pacific through a number of programs. Key gender priorities for Australia's international development assistance overall, including in the Pacific, are improved and equitable health and education outcomes for women, men, girls and boys; women's

participation in decision making and women's political empowerment; improved status of women; and reducing violence against women – which of course, along with the fear of violence, can limit women's social, political and economic participation in many communities.⁴⁷

5.48 AusAID also gave some details of programs that incorporated issues of involving women's issues:

For example in relation to PACER Plus – in terms of gender analysis of trade policy options, we have provided funding for research on PACER Plus and the potential impacts of PACER Plus for each forum island country. That would include social and gender issues if those forum island countries were so to decide.

The terms of reference for those studies are determined by each country. As noted in the submission, clearly for reasons of confidentiality we do not dictate directly what issues that research covers – but we can certainly be suggesting that gender issues could be included. We also do not see the final product unless countries are keen to give that to us.

We are also providing funding to the Office of the Chief Trade Adviser, which has been set up specifically to provide confidential and independent advice to forum island countries. Again at the request of forum island countries, that office could commission or undertake research into issues associated with the PACER Plus negotiations, including possible gender issues.

That is one specific area where the submission recommended that research be carried out, and certainly there is a mechanism there to undertake research. The submission also recommended consultations. There has been agreement among forum trade ministers that there will be an annual consultation process with regional non-state actors, which effectively means non-government organisations and the private sector.⁴⁸

47 Department of Foreign Affairs and Trade – AusAID Representative, Committee Transcript, 3 June 2011, pp.11-12.

48 Department of Foreign Affairs and Trade – AusAID Representative, Committee Transcript, 3 June 2011, p.12.

