



Pacific Institute
of Public Policy

Casting the net to define the PACER 'Plus'

Key messages:

- » PACER Plus is more than just a free trade agreement or even an 'extended' trade agreement.
- » National consultations will allow a fuller assessment of the opportunities and challenges under PACER Plus, but only if there is effective participation of all stakeholders.
- » Effective participation requires access to useful information and a coherent framework to engage, mediate and negotiate different interests.
- » Consultation is more than providing information and inviting comment. It also angers and alienates people if it is not genuine and inclusive.
- » There is no point consulting if those consulting are not prepared to consider changing what they do in response to what is said.
- » A well structured communications strategy is more than transmitting information; it is about using communication to generate new knowledge and consensus in order to facilitate change.
- » A well managed national dialogue will both inform and be informed by ongoing research.
- » Consultation is not about slowing the process; it is about better outcomes.

The experience of negotiating a trade deal with the European Union¹ alerted trade officials and civil society groups in the P14 countries² of the need to be better prepared next time around. That time is now as the P14 have agreed to commence PACER Plus³ negotiations with Australia and New Zealand. Many in the Pacific have lobbied for a phased approach to PACER Plus negotiations to include space for national consultations. This paper presents an overview of how an informed and inclusive national dialogue can ensure wider appreciation of the different options for participation in PACER Plus discussions. As a first step it will be necessary for these options to be communicated in terms that do not alienate those not familiar with the overly cumbersome technical trade jargon, so that each country can better determine the direction they want to take the talks.

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Yet to date, the debate has centred on tariff revenue losses and the massive trade imbalance between the P14 and Australia and New Zealand. As a tool for facilitating the wider integration of member economies, PACER Plus offers potential opportunities beyond the narrow confines of existing trade relationships. It is, after all, a Pacific Agreement on Closer Economic Relations. As a starting point, the *Australia New Zealand Closer Economic Relations*⁴ model presents a more relevant example than traditional trade agreements - including the Economic Partnership Agreement (EPA) negotiated with Europe. Establishing closer economic integration is not a new concept - its history has been traced to economic writings in the 1940s (Machlup, 1977). The over arching goal of closer

1. By the end of 2007 the African, Caribbean and Pacific (ACP) group of countries was supposed to have negotiated a series of separate trade agreements with the European Union - the Economic Partnership Agreement (EPA). For detailed discussion see PiPP Briefing 01 - *Pacific lessons from the Economic Partnership Agreement* (June 2008).

2. The P14 countries are the island states of the Pacific Islands Forum and include: Cook Islands, Fiji, Kiribati, Marshall Islands, Federated States of Micronesia, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

3. The Pacific Agreement on Closer Economic Relations (PACER) came into force in 2002 'as a framework for the gradual trade and economic integration of the economies of the [Pacific Island] Forum members'. In July 2007, Australia and New Zealand 'triggered' Article 6 of PACER thereby commencing discussions on a regional free trade agreement amongst other issues of economic integration - what is now referred to as 'PACER Plus'. For further discussion see PiPP Briefing 08 - *PACER Plus: The art of negotiation* (May 2009).

4. The *Australia New Zealand Closer Economic Relations Agreement* entered into force in 1983 and is the main instrument governing economic relations between the two countries. It replaced the New Zealand Australia Free Trade Agreement (NAFTA) which had been in force since 1966.

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integration is the enhancement of cooperation through regional institutions and rules - covering social, economic and political objectives. While the gradual removal of trade barriers (to allow freer movement of people, labour, goods, and capital across national borders) is one element of integration, it is not the only one. Other considerations include forging mutually beneficial, cohesive regional stances on pressing policy issues (such as improving living standards, business development, consumer protection, the environment and migration) as well as maturing the social and cultural linkages between populations. In order to bring about these objectives Professor Luk Van Langenhove⁵ (2007) suggests the functions of regional integration initiatives should cover as a minimum:

- *the strengthening of trade integration in the region*
- *the creation of an appropriate enabling environment for private sector development*
- *the development of infrastructure programmes in support of economic growth and regional integration*
- *the development of strong public sector institutions and good governance*
- *the reduction of social exclusion and the development of an inclusive civil society*
- *contribution to peace and security in the region*
- *the building of environment programmes at the regional level*
- *the strengthening of the region's interaction with other regions of the world.*

This list can and should be expanded through informed and inclusive PACER Plus discussions. It is true 'most small island developing states, as a result of their smallness, persistent structural disadvantages and vulnerabilities, face specific difficulties in integrating into the global economy'⁶. But the prevailing thought that Pacific island development is forever stagnated by virtue of size and geography must be challenged. There are no easy answers, but do we just continue to defer to the doom-mongers and give up hope?

The most integrated economy today between independent nations is the European Union, which was born out of a desire to reshape the post World War II political landscape. A seemingly insurmountable challenge on the back of the conflict that inflicted devastating human and economic toll across the continent. Little wonder it took decades to effect, and is still a work in progress.

The Pacific island states have a deep history of social, cultural, political and economic engagement with their larger Pacific Islands Forum neighbours (Australia and New Zealand). Although colonial injustices taint this history, subsequent linkages based on education, migration, religious institutions, non-governmental associations, government-to-government alliances, multilateral governmental association and commercial investment) present a solid base for building mutually beneficial, stronger relationships.

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5. Professor Van Langenhove is Director of the Comparative Regional Integration Studies Programme of the United Nations University

6. *Mauritius Strategy* (2005), Chapter XIII, paras 65-66, United Nations

National consultations will allow a fuller assessment of the opportunities and challenges under PACER Plus

Soliciting the views of affected stakeholders and interest groups equips the officials, charged with formulating the PACER Plus negotiation strategy, with a comprehensive understanding of the impact of potential trade measures on business development, investment, consumer welfare, living conditions, human development, culture and the environment. It also offers an opportunity to open the discussion on how to maximise participation in PACER Plus, especially in relation to the 'beyond trade' issues.

But only if there is effective participation of all stakeholders

PACER Plus has proven to be a particularly divisive topic in the region, mirroring the global debate for and against free trade agreements. Despite an exhaustive (and perhaps exhausting) tour of the Pacific this year by Australian and New Zealand ministers and officials - a tour that sought to assure governments and the public that PACER Plus would be development focused and more than just a trade agreement - there remains an overwhelming public perception that PACER Plus is not in the best interest of the islands. Pacific leaders have also sought to quell fears that they have been 'ambushed' and assert that PACER Plus is not being 'forced' upon them.

So why, after clocking up so many air miles and so much media space, are civil society groups and the wider population still not convinced? One explanation is that the dialogue to date has failed to engage people in the search for innovative ways to make PACER Plus what everyone says it should be: A different type of agreement that seeks to address Pacific development challenges through economic integration. Braxton et al (2009) suggest trade officials alone are not necessarily best placed to scope the full range of issues required for a development-focused agreement, and that without extensive consultation 'the tendency will be to revert to familiar structures, such as a standard free trade agreement'.

A national dialogue may not resolve the fundamental ideological differences that underpin the trade debate, but can be an effective consensus building tool. Consensus is a typically Pacific way of decision making, and it is noted that during the EPA discussions many in Europe wrote this off as merely a means to stall or collude. A mistake that risks being repeated by Australian and New Zealand negotiators. Another key lesson from the EPA process is that silence should not be taken as consent.

Shifting the mind set of parties - to both regional negotiations and national consultations - from compromise to consensus would be a significant shift forward. Compromise means that neither side is getting what they truly want, and can therefore result in mediocre outcomes. Consensus, on the other hand, has the potential to result in outcomes superior than the individual, opposing original ideas.

Effective participation requires a coherent framework to engage, mediate and negotiate the different interests

There can be considerable variation in interpretation amongst dialogue parties making mediation and negotiating skills crucial for effective consultation. Before commencing a consultation or dialogue exercise it is therefore essential to be clear about the reasons for discussion and what can and cannot be changed. In this case, Pacific leaders have demonstrated a long-standing commitment to regional integration.⁷ Given the political reality, discussions would be better focussed on how to best bring about such integration, rather than simply challenging outright the goal of integration.

Equally important is a clearly defined framework to guide the dialogue process in a transparent and timely manner. There are three drivers that will establish the time frame for any consultation process: utilising appropriate methods of consultation for the task at hand; the political agenda (i.e. the time-frame for negotiations between PACER Plus parties); and resource and budget constraints. What is clear is that it is not a one-off event but a continuous process of reflection and development. A national consultation framework should consider as a minimum:

- Firm objectives that clearly define the purpose of dialogue - the end goal should be to understand the potential benefits to be gained through regional integration (i.e. what do we want, and what do we need to get it?) as well as the key national values to that need to be protected (cultural, environmental, social and economic).
- Who to invite and when - bearing in mind the need to ensure the relevance to those being consulted and the necessity to consult separately by interest group.
- The participants will determine the most appropriate consultation methods (focus groups, advisory panels, surveys, discussion forums).
- Identifying people with the relevant mediation and negotiating skills and experience to facilitate the national dialogue sessions (this may require independent assistance).
- Who in government will lead the process.
- Realistic indication of resource requirements.
- Location of discussion forums and other activities - preferably take the consultation to the stakeholders.
- Available technology (e.g. establishing a web site as a means of storing/accessing relevant information).
- The need for training and any special support for those involved - both officials and participants.
- Linking the outcomes of the discussions to the decision making and policy processes - by ensuring timely and detailed feedback to participants and the effective use of the media and other communications tools.

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⁷ The original PACER agreement signed in 2001 was based on the premise of regional integration. The *Pacific Plan* was endorsed by Forum Leaders in Port Moresby in October 2005 to form the basis of ongoing strengthening of regional cooperation and integration efforts for the benefit of the people of the Pacific. At the August 2009 Forum Leaders meeting in Cairns it was agreed to commence negotiations on PACER Plus.

There is no one-size-fits all framework to guide national consultations as each country has specific national interests as well as political, social and economic context. Defining a framework requires the involvement of key stakeholders from government (e.g. trade, finance and planning officials), the private sector (e.g. business and industry bodies) and civil society (e.g. community leaders, service providers and relevant NGOs). Many governments already have contact and advisory groups that could be drawn on to maximise existing structures and resources.

But consultation is more than providing information and inviting comment

All too often 'consultation' attempts are limited to a presentation of a particular position ('this is what we think') or set of information ('this is what we found') followed by a question and answer session. More often than not it is offered at the end of a process or study, and ends up essentially selling or justifying a predetermined result.

The EPA negotiations has proven to be a valuable lesson in how not to approach consultation. During a flurry of activity between 2007-08, the Pacific Islands Forum produced an avalanche of technical documents and visited each country a handful of times to run workshops. Yet the Forum should have known that the miniscule budgets and resources of most trade departments meant that officials did not have enough time to pour over the reams of technical papers. The private sector and civil society groups were all but left out of discussions. Those that attempted to participate were faced with the monumental task of deciphering international trade-speak. Generally, it was as if the Forum had decided the main issues in advance and all that was left through 'consultation' was to iron out the details.

Such an approach offers little or no room for respectful, meaningful, and effective two-way communication (or dialogue) that informs the process or study. In short, there is no point consulting if those consulting are not prepared to consider changing what they do in response to what is said. Moreover, consultation angers and alienates people if it is not genuine and inclusive. The process must be responsive and provide feedback to participants. Most importantly, there needs to be a clear link to the policy and decision making processes with achievable results demonstrated for all to see. And to access the debate, people need information presented in user relevant language and formats.

And well structured communication is more than just transmitting information

A well structured communications strategy is about using communication tools to generate new knowledge and consensus in order to facilitate change. Broadening awareness of the issues being discussed increases the interest and therefore participation in the dialogue. And widening the participation net will increase the likelihood of finding innovative ways of moving forward. The media (print, radio, television and internet) provides a valuable

tool for disseminating information and providing a forum for critical analysis and debate, but it is not the only means of communication. In most of the Pacific, information is shared and discussed in more personal ways, and tapping into relevant local communication networks will ensure a wider response. That said, the press and electronic media will need regular briefings so that reporting can be based on fact and so journalists and commentators are conversant with the issues to make informed contributions to the debates.

Consultation is not about slowing the process; it is about better outcomes

A well managed national dialogue will both inform and be informed by ongoing research. After a slow uptake, it is encouraging that trade departments are seeking to mobilise initial PACER Plus studies under the Australia Government funded Pacific Trade Research Activity⁸. In order to put substance to the 'plus', it will be vital that such studies draw on preliminary consultations and set the stage for more detailed stakeholder engagement.

It is evident that many on the Australian and New Zealand side have been frustrated with the continued call from the P14 for space to conduct national consultations. Some have pointed to the ANZ PACER Plus Pacific Roadshow as mission accomplished. Others perhaps still wrongly perceive the Pacific call as a tactic to slow negotiations. In the current edition of Islands Business magazine, Niue Premier Toke Talagi says "I think both Australia and New Zealand have a genuine desire to help the Pacific Islands, but I'm not sure the officials have the understanding that they should have." This may indeed be the case, and there is certainly room for ANZ officials to better appreciate the Pacific context. There is also a need for the P14 officials to move beyond the rhetoric and commence a truly inclusive and well thought out national dialogue. It is time to cast the PACER net further afield - who knows, perhaps some innovative ways forward may come out with the catch?

8. Disclosure: PiPP is one of the organisations pre-selected to provide assistance under the Pacific Trade Research Activity.

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