



NEW ZEALAND COUNCIL OF TRADE UNIONS
Te Kauae Kaimahi

**Submission of the
New Zealand Council of Trade Unions
Te Kauae Kaimahi**

to the

Foreign Affairs and Trade Committee

on the

**International treaty examination of the
Pacific Agreement on Closer Economic
Relations (PACER) Plus**

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- 1.1. This submission is made on behalf of the 30 unions affiliated to the New Zealand Council of Trade Unions Te Kauae Kaimahi (CTU). With 320,000 members, the CTU is one of the largest democratic organisations in New Zealand.
- 1.2. The CTU acknowledges Te Tiriti o Waitangi as the founding document of Aotearoa New Zealand and formally acknowledges this through Te Rūnanga o Ngā Kaimahi Māori o Aotearoa (Te Rūnanga) the Māori arm of Te Kauae Kaimahi (CTU) which represents approximately 60,000 Māori workers.
- 1.3. The CTU also represents approximately 30,000 Pacific workers.
- 1.4. The CTU has taken a critical interest in the negotiations towards this agreement since its inception. During the negotiations we have maintained contact with unions in the region and have publicly expressed concerns at developments alongside many other civil society organisations. These have centred around the demands made of Pacific Island countries by Australia and New Zealand in the PACER-Plus negotiations.
- 1.5. Australia and New Zealand have huge influence in the region because of their much greater size and wealth. We have been concerned that negotiations suit the interests of Australia and New Zealand rather than the needs of the Pacific Island countries which should be foremost. Because existing trade agreements give Pacific Island countries ready access to Australia and New Zealand markets, Pacific Island countries gained little in goods trade in this agreement, but face significant losses in income from tariffs and the loss of jobs in small local industries.
- 1.6. Reductions in tariffs have worrying implications for government revenue in the Pacific Island nations. In most of them, a substantial part of their economy is outside the market. People's living is to a significant extent based on subsistence from agricultural produce and seafood they can gather or produce themselves. Even in the most developed economy, Fiji, a third of the workforce was either fully (16.3 percent) or partially (15.1 percent) dependent on subsistence in the most recent Census (2007) and half of the rural workforce¹. Further, these are small economies which consequently have little competition. Normal economic arguments based on the assumption of market economies therefore do not necessarily apply.

¹ 2007 Census of Population and Housing, 27 February 2009, p. 28
<http://www.statsfiji.gov.fj/Census2007/Release%202%20-%20Labour%20Force.pdf>

For all these reasons, the usual arguments regarding the benefits of trade, which assume perfect competition in market economies, need to be examined critically.

- 1.7. The fact that subsistence is so important in the Pacific Island countries means that raising revenue for government services cannot easily rely on either income taxes or value added taxes on retail purchases (such as GST). Such revenue may be difficult to gather, insufficient and unreliable, particularly in times of recession. Using value added taxes to gather sufficient revenue is likely to be more regressive (taxing low income wage earners proportionately more than people on high incomes) than the status quo. The nations typically have a high reliance on import tariffs for revenue because they are relatively simple to gather, but these are progressively removed under this agreement. This will compromise the ability of Pacific Island governments to fund public services which are doubly important in small, low income nations.
- 1.8. In addition, as developing economies, the Pacific Island nations face the usual difficult problems of development: the start up of viable industries and services and their nurturing to the point where they are viable in their own economies, let alone internationally competitive. It is well established internationally that most countries used various forms of government assistance or protection to take “infant industries” past the vulnerable start up phase² and advice from the United Nations Conference on Trade and Development (UNCTAD) is consistent with this. Respecting the needs of these nations includes respecting their need to have the policy space for such strategies. Tariffs are one such policy; others include overseas investment rules to protect domestic firms from competition and takeover; local content, export and other performance requirements for foreign investors; research and development assistance and facilitation of imitation; subsidies for domestic producers and exporters; and competition rules that take account of the limited room for domestic competition. The lack of such policy space is among the reasons that the two most important South Pacific economies other than Australia and New Zealand themselves, Fiji and Papua New Guinea, have decided not to join PACER Plus.
- 1.9. The economic impact assessment in the National Interest Analysis is weak, and applies to New Zealand only. We have yet to see a serious analysis of the impact on the Pacific Island countries. **We join with Pacific civil society groups, social movements and community networks in calling for a properly funded social,**

² For example “Kicking Away the Ladder: Development Strategy in Historical Perspective”, by Ha-Joon Chang, Anthem Press, 2002.

cultural, environmental and human rights impact assessment be undertaken to determine the impacts of the agreement before it is brought into effect.

- 1.10. The benefits of these negotiations are loaded heavily in favour of Australia and New Zealand. Pacific Island countries have been reluctantly forced to make concessions with little prospect of gain, which contradicts the rhetoric of PACER-Plus being primarily about the development of the Pacific Islands.
- 1.11. Their two main areas of interest in the negotiations were increased development assistance and in labour mobility, increasing access for their people to work in Australia in New Zealand.
- 1.12. On development assistance, we are not convinced that \$11 million for trade-related assistance over seven years plus a commitment “to spend at least 20 percent of Overseas Development Assistance on ‘aid-for-trade’ investments in the Pacific” meets the demand for increased development assistance. The New Zealand Aid Programme Strategic Plan 2015-19³ shows that over the period 2015/16 to 2017/18, 27 percent of the total \$1.7 billion is planned to be spent on bilateral programmes to Pacific Island countries (22 percent without Fiji and PNG) plus 20 percent on Pacific regional programmes. Almost half (47 percent) of the programme is already being spent in the Pacific. The commitment to spend at least 20 percent in the Pacific therefore does not require any increase in funding: at most it is a rearrangement of existing spending.
- 1.13. With respect to labour mobility, we are well aware that it has many sensitivities for all involved and requires careful review, design and protections for all workers affected. One crucial aspect is that workers from the Pacific Island countries coming for seasonal work to Australia and New Zealand should be employed on the same working conditions as their Australian and New Zealand counterparts, with access to representation by unions.
- 1.14. Our consistent view has been that no provisions or commitments relating to movement of people should be present in trade and investment agreements, and PACER-Plus is no exception: the sensitivity and need for continuing flexibility requires specialised understandings. We therefore support the form of the outcome regarding labour mobility as an “arrangement” outside the PACER-Plus agreement.

³ Available at https://www.mfat.govt.nz/assets/_securedfiles/Aid-Prog-docs/ASEAN/New-Zealand-Aid-Programme-Strategic-Plan-2015-19.pdf. See p.8.

- 1.15. We note that it commits New Zealand and Australia to nothing more than to hold an annual meeting (from which workers and their representatives appear to be excluded) to discuss cooperation on labour mobility. Otherwise parties to the arrangement only agree to assist, consider, discuss, encourage and endeavour. The Pacific Island countries have gained nothing binding from this.
- 1.16. We share the concerns of civil society in the region over the secrecy in which PACER-Plus was negotiated. Even when Dr. Edwini Kessie, Chief Trade Adviser to the Pacific Island countries announced that it was up to each country whether it released the texts, MFAT refused to release them to us despite our appeal to the Ombudsman. The format of consultations allowed only minimal engagement by the civil society sector and communities.
- 1.17. We sadly conclude that this agreement has failed to achieve New Zealand's claim that it is primarily about the development of the Pacific Islands. Instead it has been another exercise in exerting power over those small nations in order to preserve Australia and New Zealand's economic position in the Pacific.