

PACER Plus

BACKGROUND INFORMATION

Substantial economic problems and growing unemployment in all Pacific countries are adding to the political and security challenges of the region. In an effort to help create favourable conditions for private sector led growth throughout the region and stimulate economic development, attempts are being made to pursue a process of gradual trade and economic integration. The Pacific Agreement on Closer Economic Relations (PACER) provides a framework for pursuit of this goal, clearly stating this objective as

“the gradual trade and economic integration of the economies of the Forum members in a way that is fully supportive of sustainable development of the Forum Island Countries and to contribute to their gradual and progressive integration into the international economy” (Article 2.1)

To achieve this objective, the PACER provides a framework for cooperation leading over time to the development of a single regional market. This is intended to be achieved through fostering increased economic opportunities and competitiveness through more effective regional trade arrangements.

Leaders, at the Pacific Islands Forum Meeting in Cairns in August 2009 have agreed to the commencement of negotiations on a trade and economic development agreement between Australia, New Zealand and the Pacific commonly known as PACER Plus. PACER Plus builds on the existing commitments to trade liberalisation and regional economic integration contained in the original PACER.

An Office of the Chief Trade Adviser (OCTA) is being established to assist Forum Island Countries in their preparations for and participation in PACER Plus negotiations. New Zealand and Australia have each agreed to provide NZ\$650,000 per annum for an initial three year period to fund the OCTA. Further funding building on the contribution of New Zealand and Australia may be sought from other donors.

Next Steps

Forum Trade Ministers will meet to discuss a **framework for PACER Plus negotiations**. The meeting is expected to be held in Brisbane, Australia 23-24 October.

The forthcoming discussions are likely to be preliminary in nature but will cover **timelines, identification of issues and issues that the Chief Trade Adviser**

can negotiate on. A deadline for the conclusion of negotiations has not been set, but negotiations are expected to take several years. Trade Ministers at their meeting in June in Apia agreed to discuss possible **timelines of 2 – 5 years**.

Once a framework for PACER Plus negotiations is developed, it is expected that discussions will focus on the substantive provisions of the agreement (i.e. the articles of the agreement). Discussions on market access **schedules** (e.g. goods and services), are likely to take place at the latter stages of PACER Plus negotiations.

New Zealand's special relationship and significant people to people links with the Pacific means that PACER Plus will not be a traditional free trade negotiation in which commercial interests alone define our negotiating positions.

New Zealand's objective in pursuing PACER Plus will be to ensure that the agreement promotes **sustainable economic growth** in the Pacific, enabling Forum Island Countries (FICs) to capitalise on their potential for trade. Accordingly key themes that New Zealand will look to promote in negotiations include **sustainable economic growth, capacity building and economic cooperation**. It will also be important for New Zealand that the agreement is **flexible** and takes account of individual countries' circumstances, sizes and stages of development.

We will, however, wish to ensure New Zealand's trade interests in the Pacific are not disadvantaged relative to those of other partners with whom the FICs may negotiate free trade agreements.

The Ministry of Foreign Affairs is calling for public **submissions** to help shape New Zealand's negotiating mandate for the trade talks. The public consultation process is an ongoing one that will provide further opportunities for input and comment on the talks. For further information please feel free to contact Matthew Aileone (matthew.aileone@mfat.govt.nz). Alternatively you may like to visit www.mfat.govt.nz for information on how to make a submission on line.