

PACER Plus Joint Standing Committee on Treaties – DFAT response to Questions on Notice and clarifications

Questions on Notice

What percentage of our (Australia's) exports to the region are currently tariff free?

With reference to table 1 in the PACER Plus National Interest Analysis (page 8) the table below provides baseline reference points for the percentage of Australia's exports to Pacific island Parties that are currently tariff free, and the percentage of Parties' tariff lines that are currently tariff free.

Table: Liberalisation coverage – current vs PACER Plus commitments¹

<i>Pacific Island Country</i>	<i>Tariff free coverage (% of Australia's exports to the Party)</i>		<i>Tariff free coverage (% of Party tariff lines)</i>	
	<i>Current/ baseline</i>	<i>Bound under PACER Plus</i>	<i>Current/ baseline</i>	<i>Bound under PACER Plus</i>
<i>Cook Islands²</i>	97.0%	92.0%	96.1%	93.6%
<i>Kiribati²</i>	100%	90.4%	100%	94.2%
<i>Republic of the Marshall Islands²</i>	27.7%	88.2%	3.3%	66.6%
<i>Federated States of Micronesia²</i>	0%	99.0%	0%	96.1%
<i>Nauru²</i>	6.8%	92.9%	3.6%	98.6%
<i>Niue²</i>	96.5%	97.3%	96.3%	97.4%
<i>Palau²</i>	29.8%	99.7%	14.1%	96.4%
<i>Samoa</i>	13.7%	85.8%	3.4%	85.3%
<i>Solomon Islands</i>	1.8%	85.1%	0.6%	92.8%
<i>Tonga</i>	51.3%	98.6%	17.9%	97.8%
<i>Tuvalu²</i>	32.0%	94.5%	54.5%	97.4%
<i>Vanuatu</i>	34.7%	85.0%	25.5%	81.5%
<i>All 12 Parties</i>	22.4%	88.5%	33.7%	91.5

¹ Current tariffs based on applied MFN tariffs (for WTO members) and current applied tariffs for non-WTO members. Bound entries relate to the end of the implementation period. Australian exports calculated based on average exports from 2012-2014.

² These countries are not WTO members so their current tariff treatment is not legally bound. PACER Plus will bind tariff treatment with a view to elimination of tariffs on covered lines, but in the case of Cook Islands and Kiribati at a lower coverage than under their discretionary programs.

In summary, 22.4 per cent of Australia's exports (by value) to the 12 Pacific island countries that concluded negotiations current receive duty free treatment. On full implementation of PACER Plus commitments by these countries, this would increase to 88.5 per cent.

What's the current total trade volume (value of our Australia's exports) to the five countries of Cook Islands, Kiribati, Niue, Samoa and Tonga (that provide tariff reductions on entry into force)?

In calendar year 2016, Australia's exports to Cook Islands, Kiribati, Niue, Samoa and Tonga were valued at A\$84 million.

It should be noted that although these countries are the first to *reduce* tariffs under PACER Plus, other countries also have commitments to bind at zero tariff lines that are currently subject to an applied tariff of zero.

What do we expect exports to these countries to increase to in 10 years?

PACER Plus will create export opportunities for all parties, including Australia, by improving the long term economic growth prospects of the twelve Pacific island countries participating in the Agreement. PACER Plus is both a trade and a development agreement, with a key objective being to support Pacific island countries to become more active partners in, and benefit from, regional and global trade. This will create opportunities for growth, jobs and increasing living standards.

Has anyone estimated the economic benefit to Australia, specifically, in terms of export volume, GDP or any other kinds of measures that are often done in relation to these things? Is there any analysis that covers the expected benefits?

The National Interest Analysis of PACER Plus outlines the benefits to Australian exporters. Once the Agreement is fully implemented, Australian exporters will gain tariff free access to PACER Plus markets for 91.5 per cent of tariff lines, covering 88.5 per cent of Australian exports to the region.

Economic modelling of trade agreements is only one tool to assess whether an agreement is in the national interest. DFAT commissions economic modelling of trade agreements on a case-by-case basis.

Statistical and methodological limitations mean that current models are unable to estimate the total impact of an FTA on the economy. For example, it is difficult to model accurately the changes to non-tariff barriers, trade facilitation, increased regulatory certainty and other aspects of an FTA such as rules. Moreover, statistical data on international trade in services and investment flows in the Pacific are incomplete.

Two qualitative assessments were undertaken of PACER Plus as a whole:

- The Institute for International Trade (at the University of Adelaide) prepared the [*Research Study on the Benefits, Challenges and Ways Forward for PACER Plus*](#) in June 2008 (**Attached**). It provided an early assessment of issues for consideration in the negotiations.
- The Office of the Chief Trade Adviser (OCTA) undertook and published its *PACER Plus Sustainability Impact Assessment* (PPSIA) in 2016 (**Attached**). It was prepared independently by the OCTA, with inputs from consultants. It presents an assessment of the potential economic, social and environmental impacts of trade liberalisation under PACER Plus on Pacific island countries.

The OCTA also prepared and published other reports including *PACER Plus Benefits and Myths* in 2015 (**Attached**). It was prepared by the OCTA to explain the benefits of PACER Plus.

Clarifications

PACER Plus' relationship to the Pacific Island Country Trade Agreement PICTA

PACER Plus and PICTA are separate agreements with different memberships.

PICTA is an agreement exclusively for Forum Island Countries. Australia and New Zealand are not eligible for party status and have no standing in relation to PICTA parties' discussions and deliberations on their agreement.

Pacific island Country participation in PACER Plus and PICTA is potentially uniform but in practice is likely to be different, at least for a while. The 11 Pacific island countries that have ratified PICTA (2003) are the Cook Islands, Fiji, Kiribati, Nauru, Niue, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu. Palau and the Republic of the Marshall Islands have not signed, while the Federated States of Micronesia has not ratified PICTA. PICTA negotiating parties have also negotiated separate treaty instruments for goods and services.

PACER Plus is a comprehensive regional economic integration agreement, concluded in April 2017 as a single undertaking and, by reason of its accession provisions, does not have a closed membership.

When PACER Plus and the PICTA instruments are implemented, the operation of one will not impact on the operation of the other. Importers into countries that are party to both agreements will be able to trade under either agreement as these treaties allow.