Public Services International
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Internationell Facklig Organisation för Offentliga Tjänster
国際公務労連

PSI SUB-REGIONAL OFFICE FOR OCEANIA

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Committee Secretary
Joint Standing Committee on Treaties
PO Box 6021
Parliament House
Canberra ACT 2600

12 September 2017

Dear Committee Secretary

Please find attached a submission to the Joint Standing Committee on Treaties, made on behalf of Public Services International's (PSI) Oceania Sub-region, regarding the Pacific Agreement on Closer Economic Relations – Plus agreement.

We thank the Committee for the opportunity to make comment on the agreement.

Any questions or correspondence pertaining to this submission should be addressed to myself as the Sub-regional Secretary for PSI Oceania.

Yours Sincerely

[redacted]

Michael Whaites
Public Services International
Oceania Sub-regional Secretary

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PSI Submission to JSCOT: The Pacific Agreement on Closer Economic Relations – Plus (*PACER Plus*)

Who We Are:

Public Services International (PSI) brings together more than 20 million workers, represented by 670 unions in 154 countries and territories. We are a global trade union federation dedicated to promoting quality public services in every part of the world. Our members, two-thirds of whom are women, work in social services, health care, municipal and community services, central government, and public utilities such as water and electricity. PSI represents public sector and private sector workers who work in public services.

Within Oceania PSI represents workers in Australia, Cook Islands, Fiji, New Zealand, Papua New Guinea, Samoa, Tonga and Vanuatu. Our role includes the coordination of advocacy related to issues that affect our members and the communities in which they live.

Pro Development and Pro Trade:

Sustainable development is best served by coordinated and regulated services that are staffed by skilled and dedicated staff; publically owned and managed services, quality public services, are best placed to achieve these goals. Trade can play an important role in development through the transfer of skills and knowledge, technology, and targeted goods and services; provided that it focuses on the needs of the communities.

However, the recent waves of multilateral and bilateral trade agreements are a direct threat to sustainable development, and to the provision of quality public services. These new agreements encourage privatisation, restrict governments' ability to regulate in the public interest and create new and powerful rights for large multinational corporations. In this way, they are a threat to the democracy and accountability of governments. They are being negotiated in secret, without proper consultation and will bind future governments, often regardless of the decisions of national elections, parliaments and courts. PSI urges all governments to understand the implications of their decisions and the harmful effects on communities.

PACER Plus doesn't stand the test:

The following points outline the position of PSI's Oceania affiliates regarding the *Pacific Agreement on Closer Economic Relations – Plus* (*PACER Plus*). PSI holds significant concerns that *PACER Plus* fails to focus on the development needs of the Pacific Island Countries (PICs), and in fact will hamper development. The Agreement is based on a failed economic model which assumes that the benefits that accrue to foreign investors from a liberalised foreign investment environment, with reduced corporate and labour regulation, will 'trickle down' to the general population. The inter-regional adviser for the UN Committee for Development Policy, Daniel Gay, has analysed the agreement and concluded the neo-liberal model upon which *PACER Plus* is based "... isn't relevant in tiny, isolated islands featuring permanent shortfalls of domestic demand, inadequate capital stocks and extremely inflexible factor markets. Moreover, as has been demonstrated in both the developed and developing worlds, even if a case can be made that reduced trade barriers create aggregate gains, those gains are likely to be appropriated by a minority, leaving most people no better off".[1]

PACER Plus is a particularly imbalanced agreement involving some of the world's smallest economies, several countries that are not part of the World Trade Organisation, a number of Least Developed Countries who may have to surrender their special and differentiated rights as LDCs and countries who face enormous developmental challenges as a result of climate change and geographic limitations. It is important to note that the largest two PIC economies, Fiji and Papua New Guinea, pulled out of *PACER Plus* negotiations, leaving only 20% of PIC GDP included. This increases the already grossly imbalanced trading power within the agreement.

PSI strongly urges all governments to note the following concerns and we recommend against the adoption of enabling legislation and procedures required to bring *PACER Plus* into does not come into effect. We encourage PSI affiliates and other unions to actively lobby their respective governments to re-negotiate *PACER Plus* and not ratify it in its current form.

Threat to government revenue for public services:

Pacific Island Governments must be able to generate revenue to provide essential public services within their communities. The raising of revenue should not be a burden that is placed primarily on the communities that require those services; to do so undermines principles of development and wealth redistribution.

Tariffs on imports and import licence fees, particularly on non-essential and luxury items, provide an important source of revenue for governments. The budgets of Pacific Island

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[1] Daniel Gay (2017), PACER-Plus: Disappointment and lost opportunity, Matangi Tonga Online, Retrieved 2nd January 2018 from http://matangitonga.to/2017/06/10/pacer-plus-disappointment-and-lost-opportunity

governments are amongst the most dependent on tariff revenues globally and stand to lose a sizable percentage of their budgets[2]. Such tariffs see the tax being paid by wealthier consumers, acting as a direct wealth redistribution mechanism.

The tariff cuts proposed within *PACER Plus* have been estimated to reduce revenue across the PICs by US$55million (2012 – 2014 estimates based on analysis of WTO data[3]), this figure blows out to US$200million[2] should Papua New Guinea and Fiji elect to join later. This is crucial revenue that ought to be spent on health and education.

In response to concerns about lost revenue Australia and New Zealand have encouraged PIC to implement value added taxes (VAT) or similar, such as Goods and Services taxes (GST). This proposal directly shifts the revenue raising burden on communities and fails as an adequate source of wealth redistribution. Estimates demonstrate that only 30% of lost revenue could be raised through these taxes[4].

The PICs already have duty-free and quota-free market access to Australia and New Zealand under the *South Pacific Regional Trade and Economic Cooperation Agreement* (*SPARTECA*) but have struggled to meet the stringent rules to take advantage if this. The small changes to the rules of origin requirements are unlikely to make any discernible difference to the capacity of Pacific Small Island Developing States to compete with countries with much larger economies and comply with their regulatory requirements. Consequently, *PACER Plus* will improve market access for Australian and New Zealand enterprises and not the PICs.

The costs of any disputes that arise from the agreement will also have a disproportionate impact on PICs. Costs of disputes must be borne equally by the parties. Australia has significant experience in managing trade disputes and is reported to have spent up to AUD$50 million on a single dispute, exceeding the annual GDP of some member states.

Service sectors dominate the PICs economies, foreign ownership is likely to have a significant impact on both the employment of workers in those industries and access to electricity, gas and water for communities. The experience of many countries has been that privatisation and foreign ownership of essential services leads to increased tariffs, failure to provide access in the economically poorest districts, failure to develop infrastructure, reduced health and safety and job reductions that diminish the quality of services. Foreign provision of services can also hamper local skill, knowledge and industry development.

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[2] In example: Samoa 7.8%, Vanuatu 15.1%, Fiji 15.9%, PNG 26.4%, Cook Islands (6-12%), Tonga (17-19%) - Pacific Institute of Public Policy. Accessed via: http://www.pacificpolicy.org/wp-content/uploads/2012/05/D08-PiPP.pdf

[3] *PACER-Plus: Plus for Whom?* Pacific Network on Globalisation + South Centre. Accessed via: http://www.pacificpolicy.org/wp-content/uploads/2012/05/D08-PiPP.pdf

[4] Ibid

Large multinationals, with much more capital than governments, can also place enormous regulatory pressure on governments, drive local investors out of business and create dangerous monopolies. In 2016 the revenue of Australian energy company AGL, for example, was AUD$11.1 billion with a capital value of $8.8 billion, while the combined GDP of signatory PICs is only $4.6 billion.

Ultimately the profits of foreign investors are repatriated to the country in which they are domiciled or to a tax haven, a significant risk given the presence of several tax havens amongst the signatory countries.

Sustainable Development?

Sustainable provision of services that benefit local communities requires planning, regulation, enforcement, assessment and accountability. Government owned and run services are best placed to achieve sustainable development through these processes.

PSI believes that the demands being placed on PICs by Australia and New Zealand will deliver an unbalanced agreement, preventing local infant industries from developing in the face of competition from foreign companies.

Given most Pacific Island women are employed in infant industries, or the informal sector, they will suffer the most as infant industries and local food producers collapse in the face of foreign competition. Public sector employment is often the only form of decent work available to women. Policies associated with trade liberalisation often exacerbate the already heavily gendered burden of unpaid care work. When public spending on health, child care, social services and water provision are diminished, women are expected to take up the slack.

There is evidence that reducing tariffs and regulations related to the importation of unhealthy products, such as processed foods, alcohol and tobacco, and in allowing Foreign Direct Investment in in this area increases the availability and decreases the cost of these products. This means the social impact of these items will be greater.

Unacceptable Health Impacts

Loss of regulatory ability arising from trade agreements can have direct and indirect impacts on the health status of communities. The removal of import tariffs and licences, making goods cheaper, and import quotas, increasing the volume, can be seen to have a direct threat to the health status of Pacific Island communities..

According to a 2014 World Bank report[5] non-communicable diseases (NCD):

- Account for 70 – 75% of all deaths in PICs
- The top ten countries with the highest rate of diabetes (a key NCD) in the world are all PICs

The report goes on to say that the key actions needed to reverse this trend are the very things *PACER Plus* will hamper:

- ✓ Strengthening control of, and raising the excise duty for, tobacco
- ✓ Reducing the consumption of food and drink directly related to NCDs
- ✓ Improving the healthcare sector
- ✓ Strengthening monitoring and evaluation of activities

The report states that:

> "... international trade, and trade agreements, have seen the rapid growth of imports of unhealthy foods, drinks, and tobacco products, often displacing local production and sales of fresh local products. Importation of canned and bottled sugar-sweetened drinks have contributed to unhealthy diets while draining scarce foreign exchange reserves and adding to shipping costs for their importation and re-export of used cans. The six[6] Pacific Island members of the World Trade Organisation have access to a rules-based international agreement of 159 countries promoting fairer and freer trade in goods and services, but are also conscious of the high profile experience of Samoa when it sought to ban imports of turkey tails on public health grounds (Edwardes B & Frizelle F, 2009; Snowdon W & Thow AM, 2013) and similar events (Thow AM, Swinburn B, et al., 2010). Some researchers find that recent regional trade agreements carry greater threats and less protection to public health than more traditional trade agreements because of 'inherent power imbalances' between the parties..."[7]

It is notable that the report cited above recommends greater dialogue with civil society; a basic approach that was largely ignored, or at best superficially offered during the *PACER Plus* negotiations. Public Sector Trade Unions are uniquely placed to provide advice regarding the impact of trade agreements. Despite assurances by the Office of the Chief Trade Advisor given to Australian unions PSI is unaware of any invitation being extended to Pacific Island affiliates to attend briefings or community consultation. The opportunity to create a sustainable process for tripartite dialogue was ignored during the negotiations regarding inclusion of Seasonal Migration quotas.

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[5] Pacific Islands: Non-Communicable Disease Roadmap. Accessed via: http://www.worldbank.org/en/news/feature/2014/07/11/pacific-islands-non-communicable-disease-roadmap & http://www.documents.worldbank.org

[6] Fiji, Papua New Guinea, Samoa, Solomon Islands, Tonga, and Vanuatu

[7] World Bank, (2014). *NCD Roadmap Report* pp. 48 – 49. Accessed online at: http://documents.worldbank.org/curated/en/534551468332387599/pdf/893050WP0P13040PUBLIC00NCD0Roadmap.pdf

Labour mobility

PSI does not support the movement of workers being regulated through trade agreements; workers should not be treated as a mere commodity. Workers require institutions to protect their rights and welfare. There must, however, be enforceable protection of workers' rights as established through human rights and the International Labour Organisation's Conventions.

The natural extension of this within the region should be the forming of a tripartite process (of government, industry and unions). This must include a process where-by workers are provided objective pre-departure and on-arrival briefings regarding their rights, including their rights to join a union and appropriate appeals processes.

We note that the New Zealand Government hosted the first *Pacific Labour Mobility Annual Meeting* (PLMAM), which occurred in 2016, and that unions were excluded from the meeting. PSI argues that PLMAM meetings provide the opportunity to establish a localised tripartite process through which skills development, workers' rights and capacity building discussions can occur. These conferences could include engagement with and oversight through the ILO.

Skills and economic development do not occur through labour exploitation. Growth occurs through secure employment, the provision of living wages and universal access to essential public services such as healthcare and training. Unions bring the voice of workers to the table. This is crucial given the exploitation of seasonal migration workers as exposed by unions and through main stream media in Australia.

Workers can only defend themselves from exploitation when they are educated about their rights and have the means and security to defend those rights. Unions are uniquely placed to meet these needs. It is telling that we are being excluded from the process.

Sustainable Development

PACER Plus is currently asking PICs to forgo their ability to regulate with regard to their development interests, placing additional burdens on already stretched services. It is not clear that *PACER Plus* will protect government rights to regulate in the public interest or that essential public services will be completely excluded.

Overseas Development Aid an obligation, not a bargaining chip

Wealthy countries, such as Australia and New Zealand, are obligated to provide a minimum of 0.7% of their Gross National Income (GNI) in Overseas Development Aid (ODA)[8]. Both

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[8] The target of 0.7% GNI was agreed by the UN General Assembly in 1970 (UN General Assembly resolution 2626 (XXV), paragraph 43, November 19, 1970) and has been reiterated in numerous resolutions and UN documents, including in the 2030Agenda.

Australia and New Zealand fall far short of this at a low 0.22% and 0.27% respectively. ODA arises from the international legal principle of solidarity and is essential in the development of a global partnership. ODA must adhere to the principle of country ownership and must not be used as a trade related bargaining chip. The support of nationally owned and generated public services is the best model for sustainable development. In circumstances where government run services are not possible, Governments must retain the ability to regulate private sector providers of public services.

It must be remembered that nations such as Australia and New Zealand could develop <u>because</u> they had trade protections in place over an extended period. Once an industry is established it is possible to lower tariffs but even then, the industries are at risk of collapsing; as is the case with Australia's motor vehicle manufacturing industry. Australia and New Zealand are now asking smaller nations to develop in the absence of the very protections they themselves relied upon.

Given the above PSI calls for *PACER Plus* to be rejected and calls on governments to re-negotiate the agreement, and in doing so aim for an outcome that results in fair trade, not free trade.

ENDS