

ActionAid Australia submission to the Joint Standing Committee on Treaties Inquiry into the Pacific Agreement on Closer Economic Arrangements plus

15 February 2018

ActionAid Australia welcomes the opportunity to make a submission to the Joint Standing Committee on Treaties Inquiry into the Pacific Agreement on Closer Economic Arrangements (PACER) plus.

ActionAid is a global federation that supports women living in poverty and exclusion to understand their rights, reflect on the people and systems that affect them and act with others to change their lives and positions in society. ActionAid Australia works with local partners in over 45 countries, and this work is supported by the Australian Aid Program and the Australian public in 10 of these countries. Women's economic justice is a core priority for ActionAid, and influencing more just and equitable trade policies is seen as an important strategy in this work.

In terms of our engagement in the Pacific, ActionAid Australia works in partnership with Pacific women's organisations and other regional partners through the Shifting the Power Coalition. This includes FemLINKPacific and Transcend Ocean in Fiji, Nazareth Centre in Bougainville, Talitha Project in Tonga, Vanuatu Young Women for Change in Vanuatu, Vois Blong Mere in the Solomon Islands, WUTMI in the Marshall Islands, and the YWCAs of PNG and Samoa, along with regional organisations Pacific Disability Forum and Pacific Community. ActionAid also works directly in Vanuatu, supporting a network of over 4000 rural women, through the forum *Women I Tok Tok Toketa*.

In DFAT's *Gender Equality and Women's Empowerment Strategy*, the Australian Government has committed to advancing equality and economic empowerment for women across all aspects of Australia's foreign policy, trade, and aid programs.¹ Supporting the empowerment of women and girls is a cornerstone of Australia's engagement with the Pacific, including through our Overseas Development Assistance (ODA) to the region. Australia is furthermore part of several international agreements that promote women's rights and gender equality, including the UN Convention on the Elimination of all forms of Discrimination Against Women (1979) and the Sustainable Development Goals (2015).

ActionAid is concerned that in its current form, the PACER plus agreement poses a significant risk to women's rights and economic empowerment in the Pacific, and as such is inconsistent with the Australian Government's commitment to gender equality. In particular, PACER plus is anticipated to lead to an erosion of public services, loss of sustainable livelihoods, and adverse health impacts in Pacific Island countries, all of which will disproportionately affect women, and their social and economic empowerment.

On this basis, ActionAid Australia recommends:

1. That Australia does not implement PACER plus, and instead resources a full gender impact assessment of in each of the Pacific Island countries that is party to the agreement, including consultation with women's groups at a national and local level.

¹ DFAT (2016), *Gender Equality and Women's Empowerment Strategy*, <http://dfat.gov.au/about-us/publications/documents/gender-equality-and-womens-empowerment-strategy.pdf>

2. Targeted strategies should be introduced to ensure Pacific women are included in all regional trade negotiations and decision-making.
3. The inclusion of an environment chapter that requires parties to agree to international environmental agreements.
4. Australian Government investment in the implementation of the PACER Plus agreement be resourced through the trade budget and not through ODA, unless gender concerns within the agreement can be addressed.

Key concerns with the PACER plus agreement

1. Erosion of public services that support women's rights and gender equality

The critical role of gender-responsive public services in achieving women's empowerment and gender equality is well documented. Inadequate or non-existent public services not only increase women's vulnerability to violence and exploitation, but also increase their unpaid care work due to gender roles that posit care for children, the sick, those with a disability, and the elderly in women's hands. This in turn impacts on women's ability to participate in paid work and public life, and the contribution that women make to the formal economy. This is most profound for women living in poverty who are more reliant on public services such as transport, water, healthcare and education.

The PACER plus agreement could cause the erosion of gender-responsive public services in two ways: by reducing Pacific Island country governments' revenue due to the reduction of tariffs, and by introducing a framework to Pacific Island countries that may encourage the privatisation of public services and make regulation more difficult in the future.

Tariffs are a significant source of revenue for Pacific Island countries. A 2007 report found that eliminating tariffs could reduce total revenue for the Cook Islands, Kiribati, Samoa, Tonga and Vanuatu by more than 10%.² One option that has been canvassed is for Pacific Island countries to implement value added taxes (VAT) as a replacement for tariffs, but this has not been modelled for any of the parties entering into the agreement, and a major International Monetary Fund study found that developing countries that implement VAT only collect about 30% of the revenue that they previously received from tariffs.³

It is highly likely, then, that PACER plus will reduce revenues for Pacific Island countries, stretching already small budgets beyond capacity for the provision of public services essential for gender equality and women's rights, such as healthcare, education, transport, and justice services.

In addition, even if the replacement of tariffs with VAT made up for lost revenue, this is still likely to further entrench inequality and poverty for women in Pacific Island countries. As women tend to earn less than men, a proportionally higher share of their income may be taken under a VAT model. In addition, women in low income countries tend to have more responsibility for purchases of goods

² Pacific Network on Globalisation (2016), *Defending Pacific Ways of Life: A Peoples Social Impact Assessment of PACER-Plus*, <http://www.pang.org.fj/media/PANG%20Trade%20Documents/For%20Upload/8>

³ Thomas Baunsgaard and Michael Keen (2005), *IMF Working Paper: Tax Revenue and (or?) Trade Liberalization* <http://www.imf.org/external/pubs/ft/wp/2005/wp05112.pdf>

and services due to their unpaid care work, which means they would experience the impact of the introduction of VAT the most.⁴

Secondly, the provisions in PACER plus on Trade in Services also have the potential to undermine public services in Pacific Island countries. The PACER plus provision on Trade in Services reflects the General Agreement in Trade and Services (GATS) framework⁵, however many Pacific Island countries' schedules outline commitments above and beyond the GATS framework, and include aspects of health, education, transport and social services⁶ – all of which are critical to achieving gender equality.

Providing greater access to private companies to provide these services, combined with protections granted under the agreement to foreign investors, could result in services such as health and education being increasingly deregulated and privatised. This could create difficulties if Pacific Island governments attempt to re-regulate, as well as increase disparities between privately and publically provided services, thus deepening inequalities among populations.

2. Impact on women's sustainable livelihoods

PACER plus is likely to threaten women's livelihoods due to adverse impacts on sectors with the highest rates of female participation in the Pacific, including small-holder farming and industries in their infancy such as garment manufacturing and food processing.

The agricultural sector, and especially small-holder food production and retail, is one of few sectors in the Pacific in which women's participation generally outweighs that of men. In 2010, for example, 90 per cent of the market activity estimated to have taken place in the Honiara Central Market was generated by women.⁷ Small-holder farming is also a critical source of income for women in the region. A study of female food vendors in PNG, for example, found that for an average of only three days of work, women were able to generate three times the national minimum wage.⁸ A reduction in tariffs will put these livelihoods at risk by flooding Pacific Island markets with cheap food imports from Australia. The impact could be detrimental to Pacific women's livelihoods without proper impact analysis.

Similarly, despite men dominating formal employment on a two to one ratio with women across the Pacific⁹, women are overrepresented in infant industries including garment manufacturing and food processing. Concerns have been raised as to the potential impacts of PACER plus on these infant

⁴ German Technical Corporation (GTZ) on behalf of the Federal Ministry for Economic Cooperation and Development: <https://www.oecd.org/dac/gender-development/44896295.pdf>

⁵ DFAT (2017), *National Interest Assessment: Pacific Agreement on Closer Economic Relations (PACER) Plus*, <http://dfat.gov.au/trade/agreements/pacer/Documents/pacer-plus-national-interest-analysis.pdf>

⁶ PACER plus text, available from DFAT, accessed February 2018: <http://dfat.gov.au/trade/agreements/pacer/Pages/documents.aspx>

⁷ Pacific Women, accessed February 2018: <https://pacificwomen.org/our-work/focus-areas/economic-empowerment/>

⁸ Tim Anderson (2008) 'Women roadside sellers in Madang', *Pacific Economic Bulletin*, 1-15.

⁹ Pacific Women, <https://pacificwomen.org/our-work/focus-areas/economic-empowerment/>

industries, with one analyst projecting that 75 per cent of manufacturing in the Pacific will be forced to close due to competition.¹⁰ PNG Trade Minister Richard Maru cited these concerns as critical to PNG's decision to reject PACER plus, stating that "[a]ny trade agreement... that reduces employment and kills my manufacturing industry by removing tariffs and duty will never be acceptable in Papua New Guinea."¹¹ Given that there are less formal sector jobs for women, and that these are generally lower paid than those of men, it will be women who bear the brunt of any potential negative impacts of PACER plus on these infant industries.

3. Health impacts

Concerns have also been raised regarding the health impacts for Pacific Island populations as a result of the PACER plus agreement. According to DFAT's national interest assessment, Pacific Island countries will be required to allow more access over time to Australian processed foods, sugar, and beverages.¹² This is likely to have an adverse effect on nutrition in the region. Health academics have previously raised the alarm about how this may affect public health in the region by increasing non-communicable diseases such as diabetes and heart disease.¹³

These health impacts would disproportionately impact on women in the Pacific. Women and girls experience differentiated barriers to treatment of non-communicable diseases when compared to men, especially when living in poverty. A report from the NCD Alliance, for example, identified that women and girls in low and middle income countries face economic, socio-cultural, geographic, and health system barriers that often prevent them receiving the same standard of care as men with non-communicable diseases.¹⁴ These health impacts are also likely to increase women's unpaid work over time, due to women's traditional role in caring for the sick family and community members.

4. Transparency of negotiations

The negotiations for PACER plus have been conducted largely in secret and concerns raised by regional civil society have been largely unaddressed by the governments involved, despite civil society voicing concerns throughout the negotiation process.

ActionAid Australia is concerned that this lack of transparency has effectively excluded Pacific women's voices from the negotiations given their low rate of representation in formal government structures. The Pacific has the lowest rates of female representation in parliament of any region in the world: as of 2017, there are only 30 women in Pacific parliaments, representing only 6.1% of

¹⁰ Institute for International Trade (2008), *Research Study on the Benefits, Challenges and Ways Forward for PACER-Plus*: www.iit.adelaide.edu.au/docs/Final%20PACER%20Report%2012_06_08.pdf

¹¹ Charles Yapuni, PNG Loop (2016), http://asopa.typepad.com/asopa_people/2016/01/png-rejects-trade-agreement-that-puts-pressure-on-employment.html

¹² DFAT, *National Interest Assessment*, <http://dfat.gov.au/trade/agreements/pacer/Documents/pacer-plus-national-interest-analysis.pdf>

¹³ David Legge et al (2013), *Trade Agreements and Non-communicable Diseases in the Pacific Islands*, http://cdrwww.who.int/nmh/events/2013/trade_agreement.pdf

¹⁴ The NCD Alliance (2011), *Non-communicable diseases: a priority for women's health and development*, http://www.who.int/pmnch/toPacificIslandcountriess/maternal/2011_women_ncd_report.pdf.pdf

total parliamentarians.¹⁵ The systemic exclusion of women from negotiations requires targeted strategies to ensure that any trade agreement is gender inclusive.

Women's abilities to act as leaders and agents of change are well documented. The Australian government itself recognises that "women can influence policies on gender equality and women's empowerment so other women benefit, and when women are politically active as voters or politicians, policies that improve the welfare of the nation are more likely to be implemented."¹⁶

ActionAid Australia therefore recommends that a full assessment of gender impacts of the PACER plus agreement includes substantial consultation with women's groups at national and local level, as well as targeted strategies to ensure Pacific women are included in regional trade negotiations.

5. The environment

ActionAid Australia works with women in Vanuatu and with a coalition of women's organisations across the Pacific region, and it is clear from this work that the most pressing issue threatening women's equality and livelihoods in the Pacific is climate change.

It is essential that women in the Pacific have the resources to build the resilience of their communities in the face of climate change, and respond to the increased frequency and severity of climate-induced disasters that the region is already experiencing. However currently Australia and the world are failing to reduce carbon emissions in line with the 1.5 degree commitment made in the Paris Agreement, and funding committed to climate finance falls well short of what is needed to ensure communities in the Pacific have the resources needed for adaptation and loss and damage.

ActionAid Australia therefore recommends that the PACER plus agreement should include an environment chapter that requires the adoption and implementation of international environmental agreements including the Paris Agreement.

6. Aid for trade commitments

As part of the PACER plus agreement, the Australian Government has made a commitment to ODA of \$19 million over five years, to be absorbed by the current Australian aid program rather than requiring additional funds.

Due to the issues raised above, ActionAid is concerned that this would not be an investment in sustainable development in the region nor contribute to the aid program's own performance benchmark, which requires that 80 per cent of all aid is targeted to gender outcomes. ActionAid therefore recommends that any investment geared towards the implementation of the PACER Plus agreement be resourced through the trade budget, unless gender concerns within the agreement can be addressed. Otherwise ActionAid believes this investment will be contributing to a deepening of gender inequalities in the region and inconsistent with the stated objectives of the aid program.

¹⁵ Kerry Baker (2017) 'Great Expectations: Gender and Political Representation in the Pacific Islands', *Government and Opposition*, 1-27.

¹⁶ Australian Agency for International Development (2011) cited in Jack Corbett and Asenati Liki (2015) 'Intersecting Identities, Divergent Views: Interpreting the Experiences of Women Politicians in the Pacific Islands', *Politics & Gender* 11, 320-344.

Summary of recommendations

In line with the Government's commitments to support women's economic empowerment and gender equality across DFAT's portfolio, ActionAid Australia recommends:

1. That the PACER plus agreement is not implemented in its current form.
2. The Australian Government resources a full gender impacts assessment in each of the Pacific Island countries that are party to the agreement, including consultation with women's groups at a national and local level.
3. Targeted strategies be introduced to ensure Pacific women are included in all regional trade negotiations and decision making.
4. The PACER plus agreement should include an environment chapter that requires the adoption and implementation of international environmental agreements including the Paris Agreement.
5. Australian Government investment in the implementation of the PACER Plus agreement be resourced through the trade budget and not through ODA, unless gender concerns within the agreement can be addressed.

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