



Level 4/365 Queen Street, Melbourne VIC 3000

p + 613 9664 7333 1300 486 466

w actu.org.au australianunions.org.au

Submission to the Joint Standing Committee on Treaties Inquiry on the Pacific Agreement on Closer Economic Relations Plus

The Australian Council of Trade Unions (ACTU) is the peak body for Australian unions, made up of 38 affiliated unions. We represent over 1.8 million working Australians and their families. We are also in continuous contact with trade union bodies representing workers in many Pacific Island Countries (PICs).

The ACTU welcomes the opportunity to make a submission to the Joint Standing Committee on Treaties on Pacific Agreement on Closer Economic Relations Plus (PACER+).

Workers sit at the heart of business and trade. The ACTU believes that a good trade deal puts equitable prosperity and sustainable social and economic development at the centre of the agreement. Good trade agreements should seek to create a fair trade playing field between countries, based on respect for worker's rights, protection of the environment and increased opportunities for business, regardless of their size or power. The primary measures of the success of our trade policies should be quality job creation, rising wages, better deals for consumers and more engaged and competitive businesses.

However, our current trade rules are broken. Recent trade agreements frequently lead to higher corporate profits, privatisation, increased offshoring of local jobs, weakening labour market protections, lower wages and the undermining of our domestic rule of law and democratic decision-making. Poorly regulated temporary work visas are used as a bargaining chip, leading to exploitation migrant workers and a loss of jobs for Australian workers. This approach to trade policy is not fit for purpose and need to change.

Our recommendations are:

1. That the PACER+ enabling legislation not be passed.
2. That any agreement should be delayed until independent impact studies are carried out on each of the countries involved.
3. That based on the findings of these studies, the PACER+ agreement be renegotiated in good faith as a development and trade deal.
4. That a labour chapter be included which includes direct reference to the eight ILO Core Conventions and the work of ILO's Governing Body on the Freedom of Association, with agreed



Level 4/365 Queen Street, Melbourne VIC 3000

p + 613 9664 7333 1300 486 466

w actu.org.au australianunions.org.au

arbitration processes and binding trade or economic sanctions in cases of abuse with provision of capacity building support to strengthen industrial relations regimes.

5. That an agricultural safeguard should be implemented to protect small-scale producers.
6. That all trade agreements must be negotiated in public and decided upon using democratic mechanisms.
7. That an Environment Chapter be included.

No Labour Chapter

The PACER+ agreement does not contain a labour chapter to govern even basic labour standards in signatory countries. Once again, the Australian government has shown their contempt for workers, preferring instead to secure the interests of corporations rather than citizens in trade deals.

A labour chapter must be incorporated into all trade deals which includes direct reference to the eight ILO Core Conventions and the work of ILO's Governing Body on the Freedom of Association. There must be an agreed arbitration processes and binding trade or economic sanctions in cases of abuse with provision of capacity building support to strengthen industrial relations regimes.

Seasonal Worker Programme

In a side agreement to PACER+, the Seasonal Worker Program (SWP) has been expanded to allow more temporary workers in to the horticulture, agriculture and now tourism sectors. The SWP was intended to be a win-win for unemployed workers from Pacific Islands and understaffed agriculture and horticulture businesses. However, there is increasing alarm over the implementation of the scheme. Reports of Pacific Island workers being exploited in Australia show the dangers of expanding temporary migration into Australia without ensuring their rights at work are fully protected.

Workers from Vanuatu have had illegal deductions taken out of their pay by unregulated labour hire companies and threatened with unemployment if they joined a union. In other cases, workers have been given just bread and water to survive on and were paid no money after "deductions" were taken out of their wage packets. There have been 10 deaths in the seasonal worker programme in 5 years suggesting that far greater scrutiny and needs to be taken.



Level 4/365 Queen Street, Melbourne VIC 3000

p + 613 9664 7333 1300 486 466

w actu.org.au australianunions.org.au

Unions must be included in the management of the SWP to prevent such exploitation in the future.

The World Bank has also noted with concern that the SWP “demand” is heavily skewed towards male workers from the Pacific Islands. Most SWP workers are men with sex discrimination in recruitment and unequal pay not addressed.

Deals Behind Closed Doors

Once again, the Australian Government has been hiding its actions from voters and negotiating behind closed doors. The current Australian Government practice is that trade negotiations are conducted in secret, and the text is not made public until after it has been agreed. The decision to sign agreements is a Cabinet process, only after which the agreement is tabled in Parliament and examined by the Joint Standing Committee on Treaties. The text of the agreement cannot be changed. Parliament only votes on the implementing legislation, not on the whole agreement. This is entirely unacceptable in a democratic society, as the Senate Inquiry into the Australian trade agreement process identified in its 2015 report *Blind Agreement*.

Market Access Disguised as a Development Deal

PACER+ is of particular concern given the level of development and economic size of many of the Pacific Island Nations in comparison to Australia and New Zealand. For comparison, Tuvalu’s GDP is under US\$35 million while our economy is US\$1.2 trillion. Four of the signatories are classified as Least Developed Countries: Kiribati, Solomon Islands, Tuvalu and Vanuatu, while five of the signatory countries have populations of less than 20,000.

Australia has always insisted that PACER+ is not a traditional free trade agreement, but rather a comprehensive development agreement. Former Trade Minister Simon Crean described it as *“not just a trade agreement: it is fundamentally concerned with developing the capacity of the Pacific region”*.

However, the PACER+ fails to offer any significant concessions to the economic and social needs of the signatory countries. It is widely accepted by even conservative institutions such as the IMF and World Bank that less developed countries need to maintain tariffs in order to develop their domestic industries and generate government revenue. For example, Fiji has a garment industry which is critical to their exports, but the PACER+ did not account for its’ importance. PACER+ forces the PICs to lower their import tariffs by up to 95%. It is being used to open up relatively small markets for Australian exports while causing potentially huge damage to these countries.



Level 4/365 Queen Street, Melbourne VIC 3000

p + 613 9664 7333 1300 486 466

w actu.org.au australianunions.org.au

Negative Social and Economic Impacts

The two countries which do have significant exports, PNG and Fiji, have both rejected PACER+ on the grounds that it is so skewed in favour of Australia and New Zealand. These countries represent 80% of the Pacific Island economy, meaning that we are excluding by far our largest Pacific Island trading partners. The Vanuatu Chamber of Commerce and Industry has said that the agreement will result in a *“loss of government revenue, loss of policy space to support ni-Vanuatu industries, and the loss of the right to protect its people and natural resources”*. The PICs already have tariff-free access to Australia through SPARTECA, but due to their small size and dispersed locations, most of the PICs are not in a position to pursue export-led development. Government rhetoric suggesting that PICs can enhance their economic development through exports is at best uninformed, at worst disingenuous.

In many of the PICs, the role of small-scale agriculture is huge; providing the social and economic backbone to many communities in these countries. Local markets enable small-scale trading and income-generation, particularly for women. There is a significant risk that following the reduction of tariffs, cheap Australian food imports will flood the market, removing the only productive income generating mechanism that many people will have access to. Removal of tariffs also means that government revenue will be reduced dramatically. With some governments reaping up to 10% of their revenues through tariffs, this will seriously affect the ability of governments to provide essential services such as education and healthcare.

The PACER+ is a Lose-Lose Deal

The PACER+ deal is not in the interests of Pacific Island Countries. But nor is it in the interests of Australia. In 2015 Julie Bishop MP endorsed the Sustainable Development Goals, promising *“a strong focus on economic growth and development in the Indo-Pacific region and in promoting gender equality, governance and strengthening tax systems”*. But this deal will have the opposite effect in every way: It will destabilise our neighbouring countries by weaken their tax base, meaning that essential services may be reduced; it will reduce government revenue and policy space so that they cannot offer better governance; It will disproportionately affect women by reducing their ability to grow and sell produce. This will have negative consequences for Australia as well: Reducing government policy space to assist fledgling industries is likely to reduce domestic development in the PICs, which will mean that the countries require more aid money for longer. When essential services get cut in less developed countries communicable diseases tend to spread.



Level 4/365 Queen Street, Melbourne VIC 3000

p + 613 9664 7333 1300 486 466

w actu.org.au australianunions.org.au

The government has made a sloppy deal based on an ideological commitment to “free trade” and for the short-term interests of a few exporters. PACER+ should be withdrawn.