

# PACER Plus: the case for

by Jim Redden

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PACER Plus, a trade and development agreement including Australia and New Zealand and a majority of Pacific Forum Island Countries (FICs), presents important opportunities for business and government to drive economic recovery and regional integration.

PACER (Pacific Closer Economic Relations) Plus ('Plus' meaning special added features to include development as well as trade aspects) is now set to become a binding agreement between Australia, New Zealand and all FICs who ratify it.

PACER Plus negotiations began in 2009 and concluded in 2017. Eleven countries signed the agreement. Cook Islands recently became the eighth country to ratify PACER Plus, following Kiribati, New Zealand, Niue, Samoa, Solomon Islands, Tonga and Australia. Eight ratifications is the number needed to bring the trade agreement into force. This will happen on 13 December 2020 (Vanuatu, Nauru and Tuvalu have signed but are yet to ratify the agreement. PNG and Fiji are yet to sign.)

PACER Plus creates a number of new avenues for FICs to modernise and harmonise trade systems, reduce the costs of trade, build the capacity of Pacific businesses to increase market access and value add, and generally boost to intra-regional trade. The potential benefits can be summarised as follows.

**Reduction in trade costs:** Given the geographic isolation of Pacific islands, improving trade facilitation (the efficient movement of goods between countries) and reducing trade costs through more harmonised customs systems, improved border and document compliance and a reduction in cargo and freight rates will go some way to reduce the time and cost for importers and exporters.

**Boost to trade in services:** In many FICs, the services sector accounts for over 65% of economic activity, so support for growth in services trade is critical for economic development. Businesses in the region working in service areas – such as accounting, finance, management, ICT, business process

outsourcing, telecommunications, health, education and most importantly, tourist services – will gain increased certainty, transparency and new market opportunities. With support from Australia and NZ, undeveloped consumer protection standards and poor e-payment practices will improve to facilitate the development of e-commerce in the region.

**Increased movement of skilled and semi-skilled professionals:** Skilled and semi-skilled labour transfers will be more easily facilitated. Post-COVID, PACER Plus will facilitate the movement of employer-sponsored skilled professionals needed for infrastructure projects, ICT and e-commerce development, for education services and for shoring up health services. There is a possibility of an ‘APEC-style visa card’ being introduced to allow professionals such as engineers, medical personnel and IT specialists to move more freely throughout the region. Concerns about Pacific ‘brain drain’ are addressed by the fact that PACER Plus only facilitates *temporary* access.

**The special ‘Arrangement on Labour Mobility’ for lower-skilled labour:**

While the PACER Plus agreement did not go as far as I would have liked in terms of *special* access for Pacific Islanders, it does provide for a number of benefits for signatories such as ‘enhanced labour mobility schemes to maximise development benefits’ and ‘support for efforts to build labour supply capacity’. Non-signatories such as Fiji and PNG have also benefited from participation in Pacific temporary migration programs created or expanded during PACER Plus negotiations.

**First mover advantage and increased aid for trade:** FICs that have ratified PACER Plus will gain from first mover advantages on market access and concessional arrangements, such as access to any new or enhanced labour mobility schemes and an aid for trade package of some AU \$25 million set aside to help address supply barriers and to build FIC trade capacity. This could include new processing facilities and quarantine assets, such as those being sought in Kiribati for fish and craft products. An implementation unit will likely be based in Samoa providing institutional support and technical trade measures to assist FICs to implement the trade agreement.

**Advancing health cooperation:** Under PACER Plus, the upgrading of sanitary, phyto-sanitary and quarantine capabilities for the containment of animal and human disease will enable ease of market access and improve trade cooperation on health services and products. Reduced tariffs on health products – such as personal protective equipment, medical technology and medicines – along with an increased circular flow of health and allied health professionals will be timely.

**Contributing to better economic governance:** The legislative, regulatory and institutional frameworks required for the PACER Plus trade and development agreement will mean that FICs need to publish all laws, regulations, judicial decisions and administrative rulings that affect trade. Any new imposts, restrictions or prohibitions on exports and imports will need to be made public, creating certainty and transparency for the private sector. Aid for trade support will assist FICs in this endeavour, in line with **recent calls** from people such as Biman Prasad to improve governance and institutional capacity around the Pacific.

It is likely Fiji will join the agreement in the not-too-distant future given improved diplomatic ties and the significant potential benefits. PNG has continued to hesitate primarily on political grounds, due to wanting a direct free trade agreement with Australia, but nevertheless is also predicted to join by some PNG trade officials.

Overall, PACER Plus is a win-win agreement that will help stimulate economic recovery in the region and modernise Pacific trade systems. It will help to prepare FICs to access other trade agreements, such as the Regional Comprehensive Economic Partnership, the largest trade agreement in the world. As Prime Minister of the Cook Islands Mark Brown **recently put it:**

The PACER Plus agreement is important to our country. Economic diversification is a cornerstone of our development strategy and international trade policy must be an important strategic tool that we use to diversify our economy. We have participated actively in PACER Plus negotiations and fought hard to ensure that the Agreement will work for us. We are certain that PACER Plus will open new trade and investment opportunities for the Cook Islands that have not existed before.

*This post is the first post of the **#PACER-Plus series**. You can find the second post **here** and the third **here**.*

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Link: <https://devpolicy.org/pacer-plus-the-case-for-20201125-1/>