

## European Trade Deal Undermines Pacific Integration

Oxfam New Zealand is concerned that Pacific integration has been undermined by the initialling of trade agreements between the European Union (EU) and Papua New Guinea (PNG) and Fiji. In the face of serious pressure from the EU, these Pacific nations agreed to interim Economic Partnership Agreements (EPAs) with the EU on Thursday 29 November in Brussels. While there had been rumours that a deal had been signed earlier, the initialling was announced by the European Commission Monday 3 December.

One of the deciding factors in the two countries deciding to agree to the interim agreement was the need to protect their economies from threats that the EU would raise its tariffs on exports such as canned tuna. Full details of the agreement are still emerging, but it appears that the deal will require both countries to eliminate import duties on at least 80% of their imports from the EU (88% in the case of PNG).

“The European negotiators put these countries in an extremely difficult position,” said Barry Coates, Oxfam New Zealand Executive Director. “They faced an immediate threat to thousands of workers’ livelihoods from the apparently imminent tariff hike. This threat by the EU is directly contrary to its undertakings in the Cotonou Agreement that they would not disadvantage countries that did not choose to sign an EPA. It makes a mockery of the EU’s rhetoric about the EPA agreements supporting the processes of regional integration. They have done the opposite and undermined the Pacific’s own trade agreement and the integration aspirations of the Pacific Plan.”

Under the EPA, domestic producers in Fiji and PNG are likely to face stiff competition from the EU, an advanced region that is more than fourteen hundred times the economic size of the Pacific. Moreover, the Pacific region’s principal trading partners, Australia and New Zealand, have been waiting to begin negotiations on a similar trade agreement and will demand a deal at least as good a deal as the one granted to the EU.

“Other Pacific countries should not be rushed into signing a deal with the EU just because Fiji and PNG have done so” said Coates. “We urge the other twelve Pacific countries involved in the negotiations to carefully consider whether signing such an agreement is in the best interests of their people. They should not be pushed into a bad agreement under the pretence that there is no alternative. As well as an established alternative for the Least Developed Countries (LDCs), there are feasible alternatives for non-LDC Pacific countries. As Pacific Trade Ministers have previously recognised, no deal is better than a bad deal.”

The EU had hoped to conclude agreements with all six regions of the 79-strong African, Caribbean and Pacific (ACP) group before the end of the year on a range of issues besides trade in goods, including services, intellectual property rights and investment. However, widespread resistance to the EU’s proposals has resulted in EU negotiators seeking interim agreements on goods, rather than a full agreement, and individual country agreements rather regional ones.

Notes:

1. The negotiations started in 2004. In June 2006 the Pacific's Trade negotiators made well-researched and specific proposals that would have built development benefits into a trade agreement. Almost all of these proposals were rejected by the EU.
2. The 'Everything but Arms' scheme is a readily available alternative for LDCs. Feasible alternatives to an EPA for the non-LDC Pacific countries include a modified GSP Plus scheme, based on the current GSP Plus scheme between the EU and fifteen countries (mainly Latin American countries).