

## **Fiji's isolation fuelling disinterest in PACER Plus negotiations.**

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The Pacific Islands Forum Leaders want the Forum's Ministerial Action Group to work out a way to get Fiji involved in the talks over the proposed regional free trade and economic integration treaty, PACER Plus. The negotiations seem to have stalled and Fiji is part of the reason. It is the second largest of the island economies after Papua New Guinea. Some of the island governments which rely heavily on Fiji for a range of reasons do not seem to be very interested in PACER Plus if Suva is not included.

*Presenter: Sean Dorney, Australia Network's Pacific Correspondent*

*Speakers: Roy Mickey-Joy, Vanuatu's Ambassador to the European Union; Derek Brien, Pacific Institute for Public Policy; Dr Chris Noonan, Chief Trade Adviser to the Pacific Island Countries; Frank Bainimarama; Fiji's interim prime minister; Stephen Smith, Australia's Foreign Minister.*

DORNEY: While the Fiji flag flew along with the others at the recent Pacific Islands Forum meeting in Vanuatu, the absence of its Government and officials from any Forum dealings has stalled trade negotiations.

MICKEY-JOY: For Fiji to be sidelined at this time is totally something that has to be looked at quite seriously.

DORNEY: Roy Mickey-Joy, Vanuatu's Ambassador to the European Union. It's an opinion that Derek Brien from the Port Vila based Pacific Institute for Public Policy agrees with.

BRIEN: We have a situation where privately a lot of the leaders and people around the Pacific somehow feel that regardless of the fact that there is military rule in Fiji, Fiji is part of the Pacific community. It's an integral part of the Pacific community. A lot of small islands depend on Fiji as it's a trade and transportation hub.

DORNEY: But while the rest of the Pacific leaders met with Australia and New Zealand in Vanuatu, Fiji's military commander and self-appointed Prime Minister, Commodore Frank Bainimarama, was in China which he says supports his plans to rule Fiji for at least another four years. This is what he told Fiji's commercial radio station, FM 96, in a phone interview from China.

BAINIMARAMA: China is the only nation that is very understanding to our reforms. I think we need to forget about the Forum, forget about Australia and New Zealand.

DORNEY: The Pacific Area Closer Economic Relations proposal, PACER, now known as PACER Plus, is basically a Pacific Islands Forum free trade deal with economic development add-ons. At the Port Vila Forum there was an acknowledgment that Fiji's continuing suspension is frustrating progress. Australia's Foreign Minister, Stephen Smith:

SMITH: The most extensive part of the conversation on Fiji was in respect of PACER Plus, the economic integration proposals. And the Leaders asked the Ministerial Contact Group to consider the question of Fiji's involvement in or relationship with PACER Plus. And that's been referred back to the Ministerial Contact Group for further work.

DORNEY: But whatever proposal to engage Fiji the Ministerial Contact Group comes up with has to be referred back to the Leaders and so any decision has probably been put off till next year's Pacific Islands Forum which will be hosted by New Zealand. The Forum's approach to Fiji on these trade issues is somewhat different to that adopted by the European Union. Although the EU has suspended substantial aid to Fiji because of the coup, that has not interrupted its trade

negotiations with Fiji as a member of the African, Caribbean and Pacific group of countries, the ACP. Roy Mickey-Joy, Vanuatu's Ambassador in Brussels.

MICKEY-JOY: Fiji is a very, very significant, influential player within the ACP circle - more than even Papua New Guinea. I mean Fiji was previously benefiting from this sugar protocol which was one of the original core elements of the earlier Lome relationship. Fiji has established a strong mission in Brussels for the last 30 years. They are very, very prominent and they're a big player when it comes to Pacific/ACP/EU relationships.

DORNEY: Roy Mickey-Joy. Dr Chris Noonan, from New Zealand, is the recently appointed Chief Trade Adviser to the Pacific Island Countries in their negotiations with Australia and New Zealand. He's based in Port Vila and has set up the Chief Trade Adviser's Office in the Melanesian Spearhead Group headquarters building.

NOONAN: Well, for some countries Fiji is, sort of, is their link to the outside world from a trade point of view. Flights or ships all come through Fiji. And so for a number of countries Fiji is an economic or a business and communications hub for the region as well.

DORNEY: Some in the islands fear the free trade element of PACER Plus won't help the islands at all - that they'll not only lose out on revenue from import duties but also their often tiny businesses won't be able to compete. Ambassador Mickey-Joy:

MICKEY-JOY: Vanuatu has relied heavily over the past few years on imports to generate revenue. That is an issue that has to be seriously looked at from the perspective of Vanuatu before any significant political commitment could be made. Particularly the issue of an influx of imports coming in from Australia and New Zealand and equally the damage, the likely damage to affect our small infant industries which I think took us a lot of protection at this stage.

DORNEY: And Ambassador Mickey-Joy is worried that the loss of revenue could mean Vanuatu having to introduce income tax.

MICKEY-JOY: Our fear is that because Vanuatu is a tax haven country we could be able to lose that particular benefit where at the end of the day the government will have no choice but to look at the possibility of introducing income taxes and that would destroy it - Vanuatu's reputation as one of the peaceful tax havens in the Pacific. So my, our advice to the Government and the Ministers is that while we will remain engaged in the process we will not be rushed hastily into completing a pretty mature PACER Plus Treaty that would have enormous, significant negative repercussion on the entire economy.

DORNEY: The Chief Trade Adviser to the Pacific Islands, Dr Chris Noonan, is also urging caution.

NOONAN: For the Forum Island Countries the PACER Plus negotiations are very important. I mean a very large percentage of their economic or trade relationship with the outside world is with Australia and New Zealand. So this is something they want to get right. They need to think about it carefully and sort of move at a speed that works for the countries so they understand it and get their actions right.

DORNEY: And the problem seems to come back to Fiji. Derek Brien from the Pacific Institute of Public Policy:

BRIEN: With Fiji nobody really knows what to do. Nobody knows what to do in Canberra and Wellington, across the Pacific Island capitals and particularly in Suva at the Forum Secretariat.

DORNEY: There is criticism, too, that the Forum Secretariat is dominated by Australian officials. Vanuatu's Roy Mickey-Joy:

MICKEY-JOY: We are also concerned that the Forum Secretariat seems to be driving the process without proper engagement of the island economies, the island governments.

DORNEY: Commodore Bainimarama believes he has a simple answer - turn to China.

BAINIMARAMA: We need infrastructure. We need water. We need electricity. Australia, New Zealand and America are not going to, none of those nations are going to provide that gap. We know that now because of their policies towards us. So let's forget

about these nations.

DORNEY: Fiji, though, is a problem that Australia, New Zealand and the rest of the Pacific cannot forget or ignore. Sean Dorney reporting for Pacific Beat.

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