Supporting our Pacific neighbours

3 Aug 10

By Barry Coates, Executive Director Oxfam New Zealand, writing from the 41st Pacific Island Forum in Vanuatu, in the Dominion Post

Amidst the colourful celebrations for Vanuatu's 30 years of independence are serious and difficult meetings this week at the Pacific Islands Forum. A tight election means that Australian Prime Minister Julia Gillard will be absent, even though she is the chair, but our Prime Minister John Key will be there. This may give him a chance to mark out a distinctive New Zealand contribution towards the Pacific. What might that look like?

One contribution may be to play catch up. New Zealand gives a small proportion of overseas aid compared to many other donor countries. At his press conference last week, John Key said that he may discuss New Zealand's pledge to more than double its overseas aid spending by 2015.

That would be very welcome. The Pacific is struggling to meet the Millennium Development Goals - the specific targets for poverty reduction by 2015 agreed by all nations at the United Nations in 2000. The Pacific is, along with sub-Saharan Africa, one of the two regions falling furthest behind in progress towards the Goals. A timetabled plan to increase aid in future could be a strong New Zealand commitment to help accelerate progress.

Another commitment could be to show flexibility in negotiations between Australia and New Zealand and their island neighbours on a new regional trade agreement. While they have only just begun, the negotiations have already been controversial.

There are likely to be major costs for the smaller island countries if the new agreement – Pacific Agreement on Closer Economic Relations (PACER Plus) - is negotiated as a typical free trade agreement, including business closures and job losses that would add to the growing levels of poverty in the islands.

Even though they have duty free access, Pacific island countries are already on the wrong side of a massive trade imbalance with Australia and New Zealand – which is almost 6:1 in favour of the two major regional economies (once extractive industries from Papua New Guinea are excluded). A poor agreement is likely to widen this trade imbalance even further as any surge in cheaper imports from Australia and New Zealand sees local producers pushed out of their own markets.

Another key risk is the loss of government revenue from tariff reductions, which could see Tonga lose 19 per cent of its government income, Vanuatu 18 per cent, Kiribati 15 per cent, and Samoa 12 per cent. For many of these countries, the projected loss of government revenue is more than their total health or education budgets.

Wary of these implications, Pacific governments are calling for time to undertake consultations with their people and to establish a regional negotiations mechanism. Some Pacific non-government organisations, church groups and trade unions are calling for the PACER Plus negotiations to be put on hold, at least until a new approach is taken.

Oxfam too is calling for a new approach – one that takes into account the needs of island producers and builds on examples of successful exporters in the region. Oxfam has just released a report (Learning from Experience: Sustainable economic development in the Pacific) that provides a snapshot of enterprises in the islands that are using trade to lift people out of poverty. Typically these enterprises build on the existing strengths of Pacific island economies – including vibrant rural agriculture, market gardens and the skills of traditional craftspeople.

Oxfam believes trade policy must help these kinds of enterprise, because to build a better future for Pacific people, development in the Pacific must be sustainable, must generate broad-based benefits, must be appropriate to the local culture, and must be able to be scaled up to make a significant contribution to the region's needs.

There have been positive signals coming from the New Zealand government on PACER Plus, talking about giving priority to Pacific development rather than a rigid free trade model. It would be helpful for John Key to reiterate this approach in Port Vila.

It would also be good to fix one practical problem that has been highlighted by Pacific exporters. The current trade agreement we have with the Pacific does not recognise the realities of manufacturing in the small Pacific island countries, where industries are more reliant on imported inputs than in most other parts of the globe. But under the current restrictive 'rules of origin' this is not allowed.

The irony is that New Zealand offers better rules to Australia and to some other countries than it does to its Pacific neighbours. A PACER Plus agreement will take years to negotiate but in the meantime there is nothing to stop New Zealand offering the Pacific improved rules of origin. That would be a trust building step and the kind of treatment that our neighbours deserve.

http://www.oxfam.org.nz/newsroom.asp?action=view&type=News&id=2576