



**THE HON SIMON CREAN MP**  
**Minister for Trade**

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- 1 AUG 2009

Brother P S Cram  
Conference of Leaders of Religious Institutes in NSW  
PO Box 259  
ROSEBERY NSW 1445

Dear Brother Cram

Thank you for your letter to the Prime Minister dated 30 May 2009 concerning the prospective commencement of negotiations for a new regional trade and economic agreement (this agreement is known as PACER Plus). As I have portfolio responsibility for the issues raised in your letter, I am responding to your letter on behalf of the Prime Minister. I apologise for the delay in replying.

The Australian Government is strongly committed to promoting prosperity in, and the sustainable economic development of, Pacific Island Countries. We are committed to realising this goal through the pursuit of greater trade and economic integration in the region. Our fundamental view is that the more the Pacific nations are integrated within the region and the wider global community, and the freer the flow of goods, services and investments within the Pacific, the better the prospect is of genuine, stable and long-term economic growth in Pacific communities. We see PACER Plus as a means to realise these goals.

The Australian Government is not alone in these views. At the Pacific Island Forum Leaders' meeting held in Niue last year Leaders reaffirmed the continuing importance of pursuing greater economic integration and trade as a regional priority. In addition, Pacific Island Forum Trade Ministers, at their June 2009 meeting in Samoa, recognised the importance of deepening regional trade integration as a means to create jobs, enhance private sector growth, raise standards of living and advance the region's sustainable economic development. Pacific Island Forum Trade Ministers also agreed on 17 June to recommend to Leaders that PACER Plus negotiations be launched following the Pacific Island Forum Leaders' meeting in Cairns in August 2009.

Nevertheless, the Australian Government is cognisant of the fact that providing market access opportunities alone is not enough to maximise the benefits of trade. We have to enable countries within the region, through truly effective capacity building measures, to be competitive enough and productive enough to take advantage of market openings and opportunities in Australia and globally. This is why it is crucial not to view PACER Plus as a traditional trade agreement but as a unique opportunity to assist Pacific Island Countries by putting real substance into the capacity building aspects of the prospective agreement – the 'Plus' in PACER Plus.

In the pursuit of enhanced regional economic and trade integration Australia is not seeking to adversely affect the region or to "swamp" the region with Australian exports – that is not in our interests. Australia is seeking to assist in providing a framework for genuine, stable and long-term economic growth and development in Pacific Island Countries – an aspiration I am sure we both share.

You make reference in your letter to the lack of capacity amongst Pacific Island Countries to engage in PACER Plus negotiations. We are mindful of the capacity constraints faced by Pacific Island Countries. In this context I note that the Australian Government has agreed to provide funding for three years for a regional Office of the Chief Trade Adviser or OCTA. New Zealand has made a similar commitment. The OCTA will initially be co-located with the Pacific Islands Forum Secretariat in Suva, Fiji prior to the establishment of a permanent office in Port Vila, Vanuatu. The role of this office will be to assist Forum Island Countries to participate in the PACER Plus negotiations through the provision of independent and expert advice and assistance.

The Australian Government also funds and supports the Trade Fellowships Program. This program provides training to Pacific Island Country officials, through the Institute of International Trade at Adelaide University, and is designed to directly increase Pacific Island Country trade negotiating capacity. Indeed, informal feedback from Pacific Island Country officials indicates that they have found the program to be immensely beneficial.

In addition, under the Trade Research initiative, Australia has made A\$65,000 available to each Pacific Island Forum Country to commission independent research and analysis to identify their individual trade priorities and needs. The goal of this research is to allow Pacific Island Countries to gain a clearer picture of what they are negotiating for, and what they would like to see, in a prospective PACER Plus agreement.

It is important to add that no single approach under PACER Plus will suit every Pacific Island Country economy. Australia is determined that PACER Plus will take into account the individual circumstances of Pacific Island Countries – in addition to having the strong development and capacity building focus I have outlined. We will need to move ahead collaboratively and potentially at different rates, taking into full account individual Pacific Island Country circumstances, sizes and conditions.

Contrary to some media reports, Australia is not seeking to adversely affect the delivery of government services (such as health and education) in some Pacific Island Countries that are dependent on funding from tariff revenues. I should point out, however, that adjustment of the taxation system to a reduction in tariff revenues will need to occur with or without PACER Plus. Such adjustments will be a necessary consequence of the trade liberalisation measures already agreed by Forum Island Countries under the Pacific Island Countries Trade Agreement (PICTA), the Melanesian Spearhead Group Agreement, and through global liberalisation commitments as members of the World Trade Organisation.

Only self-sustaining economic growth and competitive engagement in the regional and global economy can provide a reliable and growing base of taxation revenue for each Pacific Island Country with which to fund important public services such as education, health, and law and order. As I have set out, the aim of PACER Plus is to provide the platform for this growth and engagement.

The Department of Foreign Affairs and Trade is currently conducting national consultations and has called for public submissions on PACER Plus. The initial consultation period commenced on 1 July 2009 and will conclude on 31 July 2009. However, the Department of Foreign Affairs and Trade will continue to engage with stakeholders throughout the prospective PACER Plus negotiations. Written submissions may be in any format, from a short email to a more lengthy analytical paper. In addition, representatives from the Department of Foreign Affairs and Trade welcome the opportunity to discuss PACER Plus with organisations which have an interest in the prospective agreement.

Written submissions and/or requests for consultations may be made electronically to PACERPlus@dfat.gov.au, or by post or fax to:

PACER Plus FTA Section  
Department of Foreign Affairs and Trade  
R G Casey Building  
John McEwen Crescent  
Barton ACT 0221

Fax: 02 6261 2661

Thank you for bringing your concerns to my attention. I trust this information is of assistance and addresses your concerns.

Yours sincerely



**SIMON CREAN**