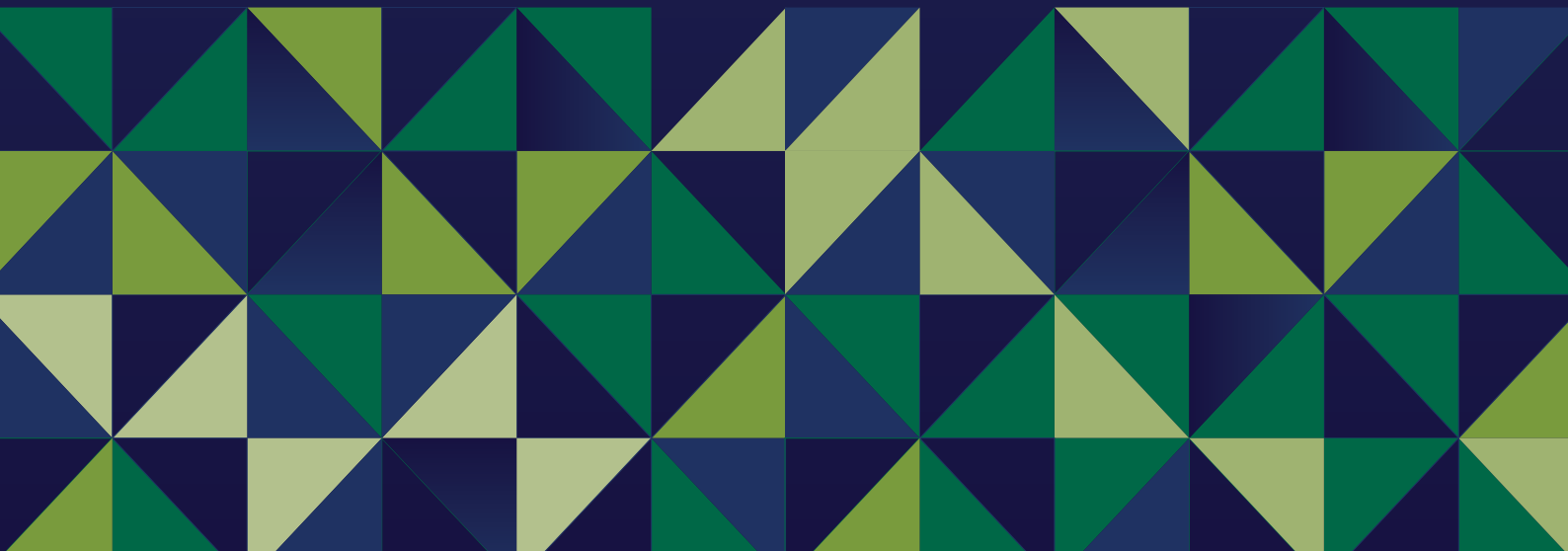


Pacific Agreement on Closer Economic Relations (PACER) Plus

The Pacific Agreement on Closer Economic Relations (PACER) Plus came into force in December 2020. It is a landmark trade and development Agreement that builds shared prosperity in our region.



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Overview

The wellbeing of Aotearoa New Zealand's people, economy and environment is closely linked to that of our wider Pacific region. Our bonds are woven through our histories, culture, languages, trade and shared interests. New Zealand is home to more than 381,600 Pacific peoples – around 8 percent our total population.

The Pacific Agreement on Closer Economic Relations (PACER) Plus came into force in December 2020. It is a landmark trade and development Agreement that builds shared prosperity in our region. It is designed to raise living standards, create jobs and support export led growth and investment across the Pacific. It also serves as a building block towards regional economic integration. There are currently ten Parties to the agreement: Australia, Cook Islands, Kiribati, New Zealand, Niue, Samoa, Solomon Islands, Tonga, Tuvalu and Vanuatu.

The Agreement strikes a careful balance between the liberalisation of markets and the protection of small and vulnerable Pacific Island economies. It covers trade in goods, services and investment. The initial benefits for Aotearoa New Zealand businesses that trade in the Pacific will be the development of a transparent and predictable trading environment that is consistent with World Trade Organisation standards. Pacific parties immediately gained tariff free access to Australian and New Zealand markets from the time they ratified PACER Plus. Pacific Island countries will eliminate tariffs over an extended timeframes (up to 30 years).

The Agreement

PACER Plus is establishing a common set of trading rules and a predictable trading environment for goods, services and investment. It is bringing Parties in line with international rules developed by the World Trade Organisation - supporting trade between Parties and facilitating access to global markets. The benefits of the agreement for the region are outlined below.

Improved transparency and predictability: Exporters and importers are benefiting from increasing transparency and predictability in the trading and investment environment. Border processes are clear, transparent and streamlined, reducing risk and the cost of compliance.

Elimination of tariffs: Under PACER Plus, all tariffs on goods from Pacific parties that export into New Zealand and Australia are eliminated as long as they comply with PACER Plus Rules of Origin. The schedules for the removal of tariffs is longer than is typical for most Free Trade Agreements, in some cases occurring over a 25-35 year time period; these extended periods allow time for Pacific parties to develop their trade capacity.

Liberalised Rules of Origin: The Agreement establishes modernised and flexible Rules of Origin that create more opportunities for domestic value-adding for goods traded by Parties. This supports greater participation of Parties in regional and global supply chains.

Sanitary and Phytosanitary Measures (SPS): The Agreement protects the rights of Parties to adopt science-based SPS measures to promote and protect human, animal, and plant health whilst ensuring that trade is not unreasonably or unfairly restricted.

Technical Barriers to Trade (TBT): PACER Plus sets out rules for how Parties design, adopt and apply countries' technical regulations, standards and conformity assessment procedures to avoid unnecessary obstacles to trade.

Services: PACER Plus makes it easier for people and businesses from PACER Plus countries to provide services to customers in each other's countries. Parties have each established market access commitments to allow companies from other PACER Plus countries deliver services in their territory.

Investment: Pacific Parties to PACER Plus have established lists that set out priority investment sectors. The Agreement has established legal protections for domestic and foreign investors, supporting increased flow of direct foreign investment to help meet capital needs.

Movement of Natural Persons: PACER Plus provides improved temporary visa access for skilled workers, specialists and business people that are conducting business or delivering services in the region.

Right to regulate: PACER Plus preserves the New Zealand Government's right to regulate in the public interest and contains specific protections in a range of policy areas, including preserving the pre-eminence of the Treaty of Waitangi in New Zealand.

Development and Economic Cooperation Work Programme: New Zealand and Australia have provided A\$25.5 million dedicated development and economic cooperation programme to help Pacific Island countries adjust to PACER Plus and leverage the opportunities for economic development that are available through it.

Aid for Trade Investment Target: New Zealand has committed to a funding target of 20% of total International Development Cooperation Funding on 'Aid for Trade' in the Pacific region. This includes funding of the Development and Economic Cooperation Work Programme (above).

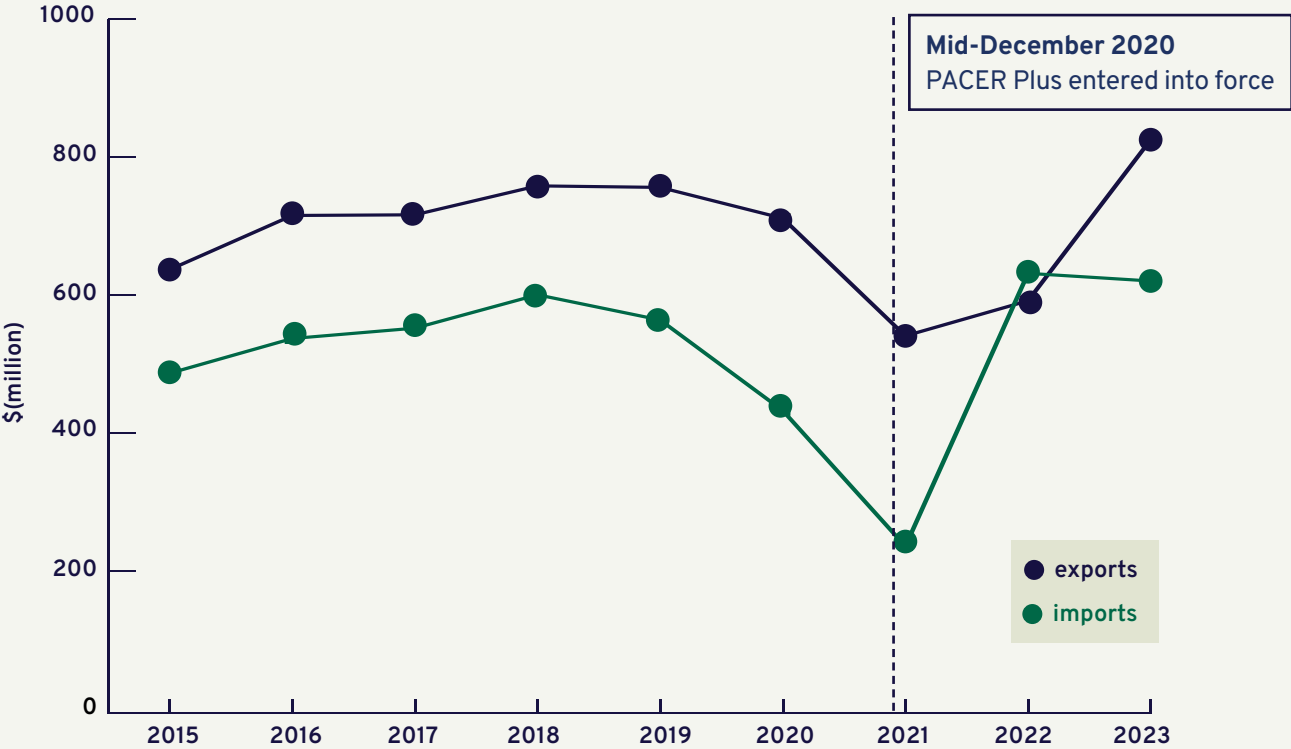
Arrangement on Labour Mobility (ALM): The ALM enhances regional labour mobility opportunities for Pacific workers, to gain jobs, learn new skills and bring their incomes and skills back to their countries of origin. The ALM was signed by Parties alongside PACER Plus.

A link to the full text of PACER Plus, the National Interest Analysis and other resources can be found here <https://www.mfat.govt.nz/en/trade/free-trade-agreements/free-trade-agreements-in-force/pacer-plus/pacer-plus-text-and-resources/>.

PACER Plus: Key trade statistics 2020-2023

- Two-way trade between New Zealand and PACER Plus Parties excluding Australia was \$1.14 billion in the year ending June 2020, prior to PACER Plus coming into force. New Zealand exported \$711.13 million and imported goods and services valued at \$432.1 million over the period.
- In June 2023, two-way trade between New Zealand and PACER Plus Parties excluding Australia was \$1.45 billion. New Zealand exported \$825.15 million and imported \$620.16 million (see figure below).

New Zealand Trade with PACER Plus Parties (excluding Australia) June 2017 – June 2023



- In the year ending June 2023, New Zealand’s top five exports to PACER Plus Parties were travel (\$246m), mechanical machinery (\$48m), dairy (\$38m), wood (\$38m) and electrical machinery (\$37m).
- Top imports from PACER Plus parties were travel (\$528 million), government services (\$21m), wood (\$11m), electrical machinery (\$4m) and vegetables (\$3m).
- Over the same period, 16,144 recognised seasonal employee (RSE) workers from the Pacific worked in New Zealand’s agriculture and horticulture sectors, remitting over \$116 million.

Development and Economic Cooperation/Aid for Trade

New Zealand and Australia jointly fund the five-year, AU\$25m PACER Plus Development and Economic Cooperation Work Programme (DEC Work Programme). Implementation of the Plan is led by the PACER Plus Implementation Unit (PPIU) in Apia, Samoa.

The Work Programme supports Pacific Parties to implement their obligations under PACER Plus and take advantage of the increased trade opportunities that the Agreement is creating. The PPIU also hosts the Labour Mobility Secretariat which supports implementation of the Arrangement on Labour Mobility.

The PPIU works in partnership with PACER Plus Parties, regional and international agencies to meet the diverse needs of Pacific Parties.

Under New Zealand's 20% Aid for Trade Investment target, New Zealand is funding a range of organisations and programmes to support trade and investment in the region. This includes Business Link Pacific, Pacific Trade & Invest, Pacific Horticultural and Agricultural Market Access Plus Programme, Market Development Facility, and Invest Pacific. These programmes aim to lift business capability and improve their access to markets and finance through business development services, export promotion and facilitation, infrastructure and supply chain development, and innovative investment solutions.

Achievements to date

- **Improvements in the Efficiency of Customs Clearance Times:** Exporters and importers are benefitting from streamlined goods processing systems. Following the roll out of ASYCUDA Automated Goods Processing system average customs clearance times have reduced from 11 days to two days in Tuvalu, and from three days to three hours in Kiribati.
- **Customs Revenue increases:** The roll out of ASYCUDA has also supported more effective revenue collection mechanisms at borders for the year following implementation of the system. This ranged from Tuvalu which enjoyed a 20 % increase, Kiribati (7%), Tonga (11%), and the Cook Islands (5%).
- **Growth in delivery of intra-regional services between PICs:** PACER Plus Movement of Natural Persons obligations are opening opportunities for inter-regional labour mobility and enhanced opportunities to deliver services. For example, Solomon Islands health workers can now fill labour shortages in Niue and the Kiribati Insurance Corporation is providing training services to Tuvalu.
- **More Pacific exporters have been able to meet New Zealand (and Australian) Sanitary and Phyto-Sanitary and Technical Regulations, Standards and Conformity Assessment Procedures:** The Development Cooperation Programme has provided support to Niue Honey and Soltuna to provide labelling and meet standards in New Zealand and Australia.
- **Pacific businesses are benefitting from zero tariff rates into Australia and New Zealand and liberalised Rules of Origin:** Kiribati boat builder Kiricraft utilises PACER Plus Rules of Origin to import timber from New Zealand and sells its luxury boats into Australia tariff-free – keeping it competitive with other companies in the market.
- **Reduced post-harvest losses:** PPIU had supplied vegetable crates to farmers on the Cook Islands outer islands as well as Samoa, Niue, Tonga and Tuvalu. This has led to a significant decline in post-harvest damage, ranging from 15% to 50%.

- **Clear and transparent information for traders:** The establishment of online national Trade Information Portals, which provide current procedural and regulatory trade information for exporters and importers, supports access into export markets.
- **Business development:** The PPIU is working with the Cook Islands to develop an E-commerce Acceleration Plan and has undertaken an E-commerce Payments Option Analysis for Tuvalu. These will support better integration and ability to trade in the global economy. In Tonga, Samoa and Tuvalu, the PPIU has delivered Post COVID-19 Tourism Sector Development including courses in culinary skills and customer service to help kick-start tourist industries.
- **Pacific Trade and Invest (PTI):** PTI is the trade and investment arm of the Pacific Island Forum. In 2022 the PTI network achieved NZ\$74m in export deals across sixteen Pacific Forum Island countries. Of the 1,437 businesses that received Network assistance, just under 354 were women-owned or led business operators. Close to \$NZ 4.2m in investments were facilitated, with more expected during 2023.
- **Market Development Facility (MDF):** The MDF Pacific Expansion programme established operations in Samoa, Tonga and Vanuatu in 2022/2023. It identifies markets with growth potential and delivers commercially sustainable solutions including in food manufacturing, high value agriculture, yacht tourism, financial services, agricultural machinery, business development services and destination marketing. In its first year in Samoa, MDF facilitated a partnership between Global Psytech and the National Bank of Samoa (NBS) to develop a credit tool for small business loan products. In the pilot NBS have used the tool to approve 150 small business loans totalling NZ\$3m, where they project the default rate to be lower than 1%.

Gender Equality, Disability and Social Inclusion (GEDSI)

PACER Plus Parties are committed to ensuring that the benefits of trade, investment and labour mobility support inclusive economic development. Parties approved a GEDSI Strategy at the 2023 PACER Plus Ministers Meeting which addresses gender equality, disability and social inclusion dimensions across all work areas. Implementation will be monitored through the MELA Framework (see below).

Monitoring, Evaluation, Learning and Adaption (MELA)

The PACER Plus Monitoring, Evaluation, Learning and Adaptation (MELA) Framework was adopted by Ministers at the 2023 PACER Plus Ministers Meeting. Country level frameworks are being developed which will allow for more granular detail on achievements at a country and regional level. At a high level, it will monitor achievements against each of the PACER Plus Chapters as well as cross-cutting issues (e.g. GEDSI). It is expected that the first year of reporting against the MELA Framework will be collated and released in 2024.

Governance

PACER Plus is owned and governed by Parties to the Agreement. All Parties are represented and have an equal status in Governance structures.

PACER Plus Ministers: All Parties are represented by their Minister of Trade or equivalent at the annual PACER Plus Ministers Meeting. Ministers set strategic direction, approve expenditure and annual work plans. Chairing rotates on an annual basis between members. Ministers are supported through a hierarchy of officials' level committees.

Joint Committee: All Parties are represented by a Senior Official. The Joint Committee is responsible for strategic direction, implementation and appointment of the PACER Plus Implementation Unit Programme Director. The Joint Committee provides recommendations to the PACER Plus Ministers. The Joint Committee approves budgets and expenditure under the Development and Economic Work Programme.

Budget committee: Each party is represented by a Deputy Senior Official. The Budget Committee is responsible for administrative oversight, governance and governing progress. It scrutinises and endorse budget recommendations from the technical committees and provides advice to the Joint Committee.

Technical Committees: Each Party is represented on PACER Plus's three technical committees. Technical committees assess issues under relevant chapters and endorse (or decline) project proposals under the Development and Economic Work Programme.

- Committee on Trade in Goods, Rules of Origin and Customs Procedures
- Committee on Sanitary and Phytosanitary Measures and Technical Barriers to Trade
- Committee on Services, Movement of Natural Persons and Investment

General Review

A General Review of PACER Plus and the Work Programme is being conducted in the final quarter of 2023 in accordance with Article 1, Chapter 12 and Chapter 10 of the Agreement.

The Objective and Scope of the General Review is to:

1. Objectively assess the benefits of PACER Plus for Parties, having regard to the objectives of the Agreement as set out in the chapters, associated annexes, and documents.
2. Assess the implementation of the Agreement since its entry into force in 2020, and the implications of COVID-19 on implementation and the priority requirements for each Party to deliver on the objectives of the PACER Plus Agreement.
3. Review of the effectiveness of the PACER Plus Implementation Unit (PPIU) in delivering the Development and Economic Cooperation (DEC) Work programme, facilitate the achievement of the objectives of the Agreement, and provide recommendations for enhancing effectiveness.
4. Assess whether Gender Equality, Disability & Social Inclusion are being adequately addressed in the DEC Work programme implementation.
5. Consider measures to strengthen Parties' observance of the PACER Plus provisions and obligations.
6. Identify the necessary changes needed for the PACER Plus DEC Work Programme, taking into consideration the progress made in fulfilling the commitments outlined in the Implementing Arrangement for Development and Economic Cooperation and the PPIU Constitution
7. Consider the parallel independent review of the Arrangement on Labour Mobility and any implications for PACER Plus.
8. Highlight opportunities and risks to the successful implementation of PACER Plus.

Background to PACER Plus

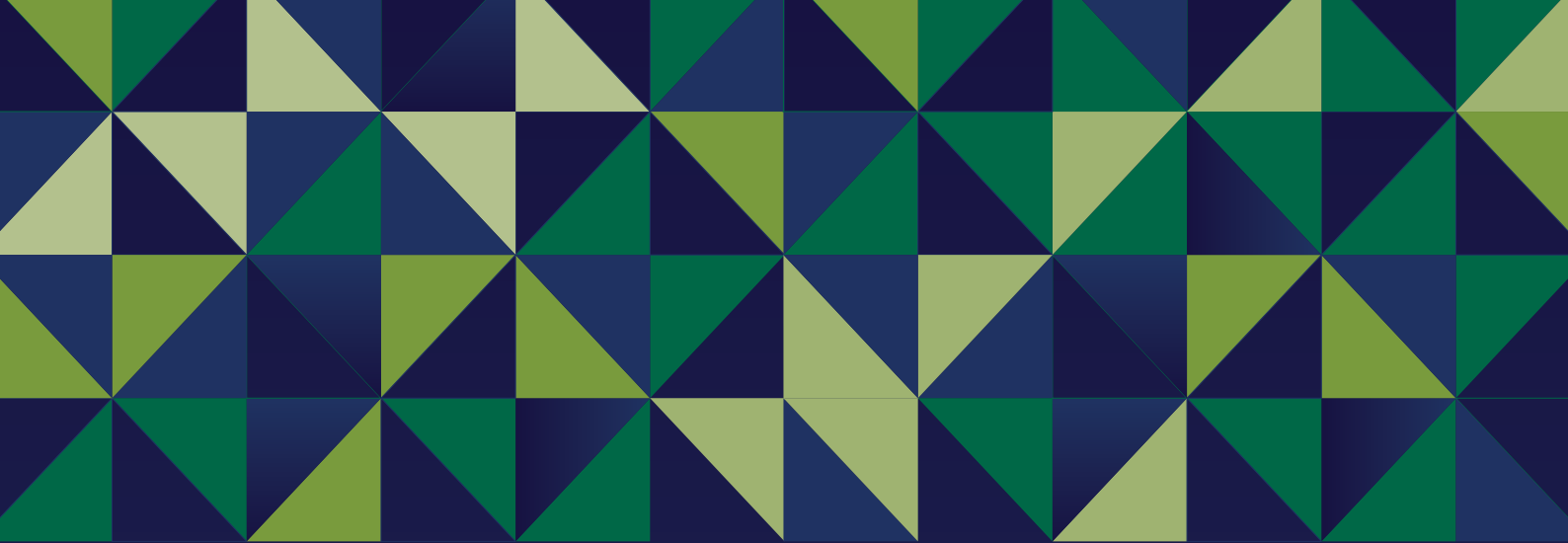
PACER Plus was built on existing trade agreements: the South Pacific Regional Trade and Economic Cooperation Agreement (SPARTECA) (1980) and the original PACER Agreement (2001).

PACER Plus negotiations began in 2009 and concluded in April 2017. The Agreement entered into force on 13 December 2020.

Parties to the Agreement are: Australia, Cook Islands, Niue, New Zealand, Samoa, Solomon Islands, Tonga, Tuvalu, and Vanuatu.

Nauru has signed PACER Plus but has not ratified it.

Federated States of Micronesia, Fiji, Papua New Guinea, Marshall Islands and Palau took part in PACER Plus negotiations but did not sign the Agreement. They have the right to undertake an expedited accession process to join PACER Plus at a later point in time. This will further strengthen Pacific regionalism, intra-regional trade, and contribute to sustainable economic growth and stability.



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