

Regionalism: An Opportunity or an Imposition on Fiji?*

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'Pacific regionalism' is the catchcry of the moment - to the point that it risks becoming vacuous and tempts people to disengage from serious interrogation of its benefits, costs and consequences. That tendency is already evident in the Pacific Plan (PIF, 2005), whose rhetorical flourishes disguise the uncomfortable realities of internal conflicts and external power plays, the lack of substance and precision, a void of popular ownership of that particular form of regionalism and the absence of studies into what it might really mean for each Pacific nation and its people.

On its face, this latest 'vision' for regionalism appears broad ranging and participatory. Grey Fry, for instance, welcomed the Eminent Persons Group report which preceded the Plan as the product of wide consultation and espousing a vision that was participatory, less instrumentalist than other proposals emanating from Australia and reflecting an 'authentic Pacific position' (Fry, 2004: 18). At the same time he recognised the danger of it being hijacked by the Australian government as it arrogates to itself the right to set the Pacific agenda. Subsequent commentators suggest that is indeed what happened. On several occasions Ron Crocombe has remarked that the Pacific Plan bears the footprints of Australia and New Zealand (Dorney, 2005). Maori academic Aroha Mead has described the Plan as

a policy to make the Pacific safe for Australia and New Zealand [and the US] by formalizing 'rules' of regional integration. There is no real commitment to treasure the diversity of the Pacific or to honour Pacific cultures and traditions. Rather there is a blatant push to force globalization on the Pacific and to do so under the name of good governance and democracy (Mean, 2005).

* I am grateful for comments on an earlier draft from Dr Claire Slatter and Prof Vijay Naidu; they bear no responsibility for the final content.

This paper questions the idealistic rhetoric on regionalism that has accompanied the Pacific Plan by examining its main concrete element – the economic integration agreements that Fiji and other Pacific Islands governments have signed, are negotiating or have in the pipeline. The discussion centres on two questions. First, to what extent is the current push to regionalism through economic integration agreements being shaped by the interests of external powers? Second, is the vision of regionalism in the Pacific Plan that is premised on this kind of trade-driven economic integration desirable and sustainable? Underpinning these questions lies a deep disquiet that these binding legal commitments circumscribe the future options for Pacific regionalism in ways that undermine political legitimacy, security, stability, social justice and human rights.

Indigenous Regionalism or Neocolonialism?

Forum Island governments, including Fiji, embraced an economically driven model of regional integration at the Forum Economic Ministers Meeting in July 1997 (see Levi, 1999). Almost a decade later, they face extraordinary pressures from complex and overlapping trade negotiations and obligations. Fiji has played a pivotal leadership role over this period. The government has been actively engaged in the Doha round negotiations at the World Trade Organisation (WTO) in Geneva since 2001 (Kelsey, 2005a). Within the Pacific group of African Caribbean and Pacific (ACP) states Fiji has led the negotiating team for an Economic Partnership Agreement (EPA) with the European Union (EU) that is supposed to be completed by the end of 2007 for implementation on 1 January 2008.¹ Australia and New Zealand are pressing Fiji and other Forum Island Countries for early talks on a matching economic integration agreement under the Pacific Agreement on Closer Economic Relations (PACER, 2001); those must be underway no later than 2011. As of June 2006, Fiji was the only signatory to the Pacific Islands Countries Trade Agreement (PICTA) that had implemented its obligations on trade in goods. Despite that, PICTA parties have agreed in principle to extend its scope to services and begun the preparation of schedules. Fiji is also a member of the Melanesian Spearhead Group (MSG), whose own free trade agreement was described by Fiji's Trade Minister Kaliopati Tavola

¹ Partnership Agreement Between the Members of the African, Caribbean and Pacific Group of States of the One Part, and the European Community and its Members States, of the Other Part, 23 June, 2000, ACP-EC, pt. 3, tit. II, ch. 1, art. 34 (known as the Cotonou Agreement).

in June 2006 as ‘very much in its infancy’ (Tavola, 2006).

These diverse obligations and negotiations are governed by a hegemonic ideology and framework of rules that lock developing states like Fiji into a neoliberal model of global capitalism. That means they also set the parameters for achieving Pacific regionalism through economic integration, the centerpiece of the Pacific Plan (Urwin, 2005). This occurs in at least four related ways. First, the value base of these agreements is exclusively committed to commodification, markets, individualism and competition and consciously displaces traditional values that are holistic, collective, reciprocal and cooperative. Second, these agreements increase the exposure of Fiji and other Pacific nations to the turbulence of a highly unequal global economy and the rule making and breaking of powerful states and corporations. Third, as international treaties these rules are binding and enforceable on the Fiji government for the indefinite future, irrespective of their perceived political and moral legitimacy or their impacts on the country and people’s lives. Fourth, these agreements permeate every aspect of a nation’s life – not just commerce, production and trade, but also development strategies, taxation and public spending, foreign control of infrastructure, social services, land ownership, fisheries, forestry and other natural resources, subsistence food production, employment and unemployment, poverty and inequality, migration and more.

Three interlocking negotiations are shaping this agenda and the options available to Fiji and other Pacific Islands nations. They are all unduly influenced by the former colonial powers of the European Union (EU), Australia and New Zealand.

The WTO

Fiji’s obligations as a WTO member impact on the regional context, both legally and politically. Yet, as Fiji’s Trade Minister complained to the WTO Ministerial Meeting in Cancun in 2003, the government has no effective influence on its rules.

The WTO claims to be a multilateral trading organization, which addresses the circumstances of all its Members, and whose rules provide a balance of advantage for all its constituents. However, this is unfortunately not true for the small, vulnerable economies whose limited negotiating capital and small size limit their ability to cope with the complex multilateral rules, does not allow for effective bargaining to secure specific measures which address our development needs, and this has prevented us from participating

effectively in the negotiation of WTO provisions more suited to enhancing our welfare (Tavola, 2003: para 4).

By contrast, the EU, Australia and New Zealand are part of the inner circle at the WTO, where they single-mindedly pursue their self-interest. Despite the label of a Doha ‘development’ round, there has been no room for, nor evidence of, altruism towards developing countries since it began in 2001. In 2005 the World Bank reduced its much-quoted projections of the gains from a ‘successful’ Doha round to US\$96 billion, (World Bank, 2005) less than one-fifth of what it predicted in a discredited previous report (World Bank, 2004).² Rich countries would receive four-fifths of those gains, with developing states like Brazil and India securing most of the rest. A more sophisticated report from the Carnegie Foundation concluded the world’s poorest countries, including Fiji, would lose under all the scenarios being considered in the Doha round (Polaski, 2005). The collapse of the negotiations in August 2006 had nothing to do with development, and everything to do with the mercantilism of the main economic superpowers.

The informal WTO negotiating groups to which Fiji belongs, notably the ACP, Small Island Developing States and Small Vulnerable Economies, repeatedly tabled some very basic demands in the Doha round. They sought rule changes to address the erosion of trade preferences that is resulting from multilateral liberalisation, to reduce the onerous requirements for WTO-compatibility in regional trade agreements between developing and developed countries, and to restrain existing WTO members from making unconscionable demands of least developed countries, such as Samoa and Vanuatu, that are engaged in accession. They also sought special and differential treatment that recognises their unique vulnerability (see, for example, Bose 1996; Tavola 2003).

Throughout the Doha round Fiji and its allies received minimal support from the world’s richer countries,³ including the EU, Australia and

² World Bank (2004) was released just before the WTO Ministerial Conference in Cancun; World Bank (2005) was released prior to the Hong Kong WTO Ministerial Conference in 2005.

³ See, ‘Doha negotiations post Hong Kong: Some relevant developments for the ACP’ 5(2)*Trade Negotiations Insights* March-April 2006, www.ictsd.org/tni (accessed 6 August 2006); and progress reports of the Chair of: Committee on Agriculture 27 July 2006 TN/AG/23; Negotiating Group on market Access 27 July 2006, TN/MA/19; Negotiating Group on Rules 27 July 2006, TN/RL/19.

New Zealand.⁴ To add insult to injury, Australia was party to the dispute that successfully challenged the EU's Sugar Protocol, with massive ramifications for Fiji. As Minister Tavola remarked: 'it would be ironical if Australia turned around to assist the reform in Fiji's Sugar Industry, when it was partially responsible for the uncertain state that the industry is currently in.' (Tavola, 2006)

The Doha round negotiations were suspended in August 2006. Whether or not they are resuscitated and reach an agreed outcome, there is nothing to indicate that the concerns Fiji has raised would be addressed.⁵ Those unresolved problems, especially the burdensome WTO rules on regional trade agreements and the erosion of preferences, will therefore continue to impact on Fiji's regional negotiations. At the same time, the suspension of multilateral negotiations has meant that major players have more resources available and greater motivation to realign their foreign policy and economic objectives through regional and bilateral treaties. In an era when the 'war on/of terror' dominates the strategic goals of the US and its allies, notably Australia, this also has serious implications for Pacific regional integration and for Fiji.

The Cotonou Negotiations

The EU began realigning its external economic relationships well before the Doha round was launched in 2001, with the release of a Green Paper on a new ACP/EU partnership in 1996 (EC, 1996). The historical links and obligations embodied in successive Lomé Conventions between European powers and their former ACP colonies were seen as redundant. The Green Paper set the scene for the European powers to renegotiate these relations through the Cotonou Agreement, signed in 2000.

In legal terms, the trade negotiations initiated under the Cotonou Agreement would see preferential market access arrangements for ACP goods into Europe extended to provide reciprocal access for European goods into ACP economies. This was prompted in part by findings of the WTO Dispute Settlement Body that the EU's trade preferences to the ACP on bananas, and later sugar, breached the WTO's rules on non-

⁴ There are very few references to interventions by Australia and New Zealand in the records of the Work Programme on Small Economies in the Committee on Trade and Development, and those tend to be ambivalent.

⁵ The Director-General's proposal for the suspension of the negotiations was noted at the General Council meeting of 27 August 2006; see summary of the General Council meeting http://www.wto.org/english/news_e/news06_e/gc_27july06_e.htm.

discrimination against other members.⁶ WTO members approved a temporary waiver of compliance until the end of 2007. That, in turn, dictated the deadline for concluding new arrangements.

However, the Green Paper and the Cotonou Agreement also had a political dimension, signalling an ideological and strategic shift by the EU. The new negotiations allowed Europe to focus its priorities on Africa, weaken its long-standing obligations to less important former colonies in the Caribbean and Pacific, and require them all to accept free access for European imports in the name of development.

The EU claimed the right to dictate the terms of the new 'partnership' (Grynberg, 1997). It insisted that negotiations towards Economic Partnership Agreements (EPAs) must be conducted through six (sub-)regional groups across the ACP and effectively defined the composition of these regions.⁷ This drew strong criticism from African governments and civil societies for ignoring the fragile nature of regional integration in the negotiating regions and cutting across existing arrangements. In echoes of the Doha round, the Europeans' attitude to the process, substance and funding of adjustment costs belied their stated commitment to a development agenda. Further, the Cotonou Agreement provided Europe with a vehicle to advance a menu of issues that went beyond the WTO. These included the so-called Singapore issues of investment, competition policy and government procurement that the ACP Members had adamantly rejected at the WTO ministerial conference in Cancun in 2003.⁸

Every element of the EPA negotiations was potentially significant for Fiji and the Pacific ACP states. But the most critical issue involved negotiations on goods. The EU interpreted the Cotonou Agreement to mean that EPAs must cover trade in goods. Pacific ACP states had ample reason to be cautious about a deal that would replace their one-way preferential access into the European market with reciprocal access to their own.

First, there was no reason for most of the Pacific ACP governments even to consider negotiating on goods. The European Commission's own figures showed only 10 percent of goods exported from Pacific ACP

⁶ Report of the WTO Panel, European Communities - Regime for the Importation, Sale and Distribution of Bananas (Complaint by the United States), WT/DS27/R/USA (May 22, 1997); Report of the Appellate Body, European Communities - Export Subsidies on Sugar (Complaint by Australia) WT/DS265/AB/R (April 28, 2005).

⁷ Nairobi Declaration on Economic Partnership Agreements' African Union TI/TMIN/MIN/Decl.2 12-14 April 2006; see extensive discussion of the following issues, with references in Kelsey (2005b).

⁸ For an account of the ACP role at Cancun, see Singh (2003).

countries went to the EU.⁹ Some 90 percent of those came from Fiji and Papua New Guinea (PNG). Those same countries took two fifths of the imports from the EU. Negotiations on goods were therefore irrelevant to the majority of Pacific ACP states.

Second, Fiji and PNG already had duty free entry to Europe's markets. They could only benefit from an EPA on goods if they could secure more favourable Rules of Origin and Sanitary and Phytosanitary (SPS) rules - neither of which the EU had been prepared to address in the Doha round and EPA negotiations in other regions.

Third, any such agreement would have to meet the onerous requirements of the WTO set down in Article XXIV of the GATT (Kelsey, 2006a). This meant a goods agreement would need to cover 'substantially all trade' between the parties. Fiji's primary export to Europe was sugar, which could not realistically be excluded from 'substantially all trade'. Yet Fiji's sugar exports were caught up in separate negotiations involving the EU and other ACP and WTO parties. In addition, Article XXIV required all trade liberalisation obligations contained in a goods agreement to be implemented within a 'reasonable period of time'. The WTO defined that as 10 years, unless there were exceptional circumstances (WTO, 1995). The credibility of this time limit has been eroded, for instance when the Australia US Free Trade Agreement allowed the US 18 years to comply on sensitive agricultural products (DFAT, 2004). Nevertheless, the EU could be expected to ensure that any period agreed to in an EPA did not establish an adverse precedent for other negotiations.

There was a fourth and overriding reason for caution: formal negotiations with the EU for a WTO-compatible agreement on trade in goods would trigger Article 6(3) of PACER. Australia and New Zealand had tried for both foreign policy and economic reasons to secure their inclusion in the free trade area established by the Pacific Island Countries Trade Agreement (PICTA). The Forum Island Countries resisted. As a compromise, they agreed to create a framework for future regional economic integration under the Pacific Agreement on Closer Economic Relations (PACER) (Kelsey, 2004a; 2004b). PACER guarantees that negotiations toward a formal arrangement will begin no later than 2011. However, that process could be triggered earlier by a number of developments, notably if one or more parties to PACER (such as Fiji) entered into formal negotiations with another developed country, such as the EU, for a

⁹ These figures are drawn from the EC (2006).

free trade agreement in goods.¹⁰ In other words, if Fiji (or any other Pacific ACP signatory to PACER) began to negotiate formally with the EU on trade in goods that government would also have to begin talks with Australia and New Zealand for a similar arrangement.¹¹

At the June 2006 meeting of Pacific ACP trade ministers the representatives of Fiji, the Solomon Islands, PNG, Samoa, Tonga and the Cook Islands indicated they were considering negotiations with the EU on goods. If they did this, they would still have some wriggle room under PACER. The Article 6(3) trigger only requires them to 'undertak[e] consultations with a view to commencing negotiations' with Australia and New Zealand. Moreover, that obligation would only arise 'as soon as practicable'. They could argue that their lack of negotiating capacity made it impracticable to undertake such discussions until the EPA negotiations were over - by which stage at least some of those governments might have opted not to proceed with an agreement on goods.

It was open to any of the Pacific ACP governments to decide not to negotiate with the EU on goods. Under Article 37 of the Cotonou Agreement, if a developing country such as Fiji decided not to pursue an EPA, the EU was obliged to offer an alternative whose benefits were both equivalent to the status quo and WTO-compatible. That election was supposed to have taken place in 2004. No ACP state formally took such a position. Moreover, the European Commission (EC) has maintained that there are no alternatives that could meet those conditions. A second opportunity to explore alternatives was the formal review of the Cotonou negotiations scheduled for late 2006 - an option the EU did not favour, either (see Bilala and Rampa, 2006).

Even if neither of these options were pursued, Fiji (or any other Pacific ACP state) was still not compelled to sign an agreement on goods. As a developing country it could rely instead on the General System of Preferences (GSP) and the enhanced GSP.¹² This had drawbacks. The extent and terms of trade preferences under the GSP remained at the discretion of the EU and would be shared across a broader number of develop-

¹⁰ The sweetener for the Forum Island Countries to agree to PACER was the promise of funding for a Regional Trade Facilitation Programme. An impasse developed over what they expected and what was delivered. That was reportedly broken in 2004 when Fijian officials said Pacific Islands governments should not ask for more funding until they could show they were using what was available effectively.

¹¹ Vanuatu may also negotiate with the EU on goods, but it has chosen not to accede to PACER.

¹² Those Pacific ACP states that are Least Developed Countries could rely on tariff free access under the arrangement known as 'Everything But Arms'.

ing states than the existing ACP preferences. But they were not reciprocal and avoided the risk of triggering PACER.

During the course of the Cotonou negotiations the Pacific ACP states developed a strategy to maximise their room for manoeuvre. This strategy was led politically by Fiji, but coordinated by the Forum Secretariat as the EU insisted on a regional negotiating organisation and which allocated it most of the funding for technical assistance and capacity building. Playing on the EU's promises of flexibility and asymmetry, the Pacific ACP negotiators proposed the unorthodox architecture of an umbrella agreement, with sub-agreements on goods, services, tourism, investment and fisheries.¹³ Signing up to each subordinate agreement would be voluntary.

As of June 2006 the EU had not accepted that architecture. It was concerned that a plurilateral approach would create a difficult and unpalatable precedent for future free trade negotiations. Further, it would require the EU to assume the diplomatic risk of defending the WTO-compatibility of an arrangement that was designed primarily to avoid triggering negotiations with Australia and New Zealand (Agritrade News Update, 2006). The most the EU seemed inclined to accept was a 'common house' agreement, perhaps with goods in an annex. It was not prepared to have separate fisheries, services and investment agreements, nor to include development funding in the EPA itself. Any access for temporary migrants would have to be negotiated on a bilateral basis with individual EC member states.

The fact that Pacific ACP senior officials and trade ministers actively canvassed the GSP and other alternatives at their meeting in June 2006, and sought input on this from a European NGO,¹⁴ suggested they were prepared to consider that 'no deal is better than a bad deal'. After pressure from civil society, the ministers also agreed to commission a social impact assessment of the EPAs before a final negotiating position was taken.¹⁵ A meeting of Island-based and regional NGOs asked for the

¹³ First set out publicly in PIFS (2004). Some African ACP states have expressed concern that negotiating on services and investment sets a dangerous precedent for them. Nairobi Declaration on Economic Partnership Agreements' African Union TI/TMIN/MIN/Decl.2 12-14 April 2006; 'ACP countries and European partners clash over differing conceptions of development dimension of economic partnership agreements', Agence Europe, Port Moresby 2 June 2006.

¹⁴ Francesco Rampa from the European Centre for Development Policy Management in Maastricht was invited to address the Pacific ACP officials meeting in June 2006.

¹⁵ The 'Sustainability Impact Assessment' conducted by PriceWaterhouseCoopers on behalf of the European Commission has been strongly critiqued in Dearden (2006).

study to be participatory and engage the grassroots people.¹⁶ Several months later, however, no terms of reference for the study had been advertised.

Ultimately, the EU held the upper hand in the Cotonou negotiations because the WTO waiver for existing preferences would expire in December 2007. As the clock ticked towards the Cotonou deadline, it remained unclear whether the Pacific ACP governments would maintain their resolve and reject a 'take-it-or-leave-it' proposition from the EU.

PACER

Australia and New Zealand were watching these developments with mixed sentiments: they had interests in collaborating with the EU to promote the economic integration agenda, but wanted to secure their influence over the region. These priorities had dominated the negotiations of PICTA and PACER from 1998 to 2002. Since 2001 the Australian government's self-appointed role as 'deputy sheriff' in Asia and the Pacific had also injected a strong security and foreign policy dimension into its economic integration agenda.

On the other hand, the Forum Island Countries had gained in experience and understanding of such agreements. They also knew that Australia and New Zealand lacked the leverage of the EU's deadline of 2007, because PACER promised that existing preferences would continue until they were replaced by a new agreement. Although negotiations under PACER had to begin in 2011, there was no date for their conclusion.

New Zealand and Australian officials believed that the EU negotiations had already activated PACER's trigger, whether or not negotiations on goods had formally begun. By 2006 they were getting impatient. New Zealand's trade ministry commissioned its own analysis of the economic impacts on New Zealand interests of goods and services agreements under the MSG, PICTA and EPA.¹⁷ The study aimed to identify the most sensitive sectors for New Zealand and how long it would take before the implementation of such agreements caused significant losses to New Zealand. It would also consider ways to correct any trade diversion effects, lessen the impacts on New Zealand and create new opportunities.¹⁸

¹⁶ Statement of Pacific Civil Society Meeting on Trade Negotiations, Nadi Fiji 13-16 June 2006.

¹⁷ Verbal communication to the author, May 2006.

¹⁸ The New Zealand Ministry of Foreign Affairs and Trade employed the same economic consultant that the Forum Island Countries had used to make their case during PACER and the EPA negotiations.

There were sound reasons for the Forum Island Countries to stone-wall the PACER process. Their own studies, prepared in the context of the EPA negotiations, showed reciprocal free trade with Australia and New Zealand would have significant impacts. An analysis by Wadan Narsey of the fiscal impacts revealed especially serious consequences for countries that were still heavily dependent on tariff revenue (Narsey, 2004a). Other research suggested major implications for production, employment and exports. Industries set up in various Pacific islands to operate behind the tariff wall, such as breweries and tobacco companies, were predicted to migrate to Fiji under PICTA; but they were then expected to relocate to Australia or New Zealand under a regional economic integration arrangement (Narsey, 2004b).

The move to reciprocity raised similar technical issues to those discussed in relation to Cotonou. Because Forum Island Countries enjoy duty free access to Australia and New Zealand under SPARTECA, gains from a goods agreement would have to come from improved Rules of Origin and SPS arrangements. Any gains that did result would be marginal and uneven across the various island states. The exports of most importance to Fiji, being garments, were governed by separate rules under the SPARTECA-TCF arrangement. Minister Tavola reported in June 2006 that the Australian government, under domestic pressure, was resisting a further review and extension of that arrangement:

Australia's insistence not to reduce the percentage of local area contents to a level similar to those existing in other RTAs that Australia has with other trading partners, more advanced than the PICS, is not regional-friendly, to say the least. As a matter of fact, the stance taken by Australia defied logic (Tavola, 2006).

Australia and New Zealand were insisting that any review of the rules of origin for garments should occur under PACER instead. Tavola concluded that:

Given their procrastination, it can only be said that when the two countries finally decide to amend the Rules of Origin, if they ever will, there may not be any TCF industry of note to benefit at that time (Tavola, 2006).

Even though PACER referred explicitly only to trade in goods, Australia and New Zealand were determined to secure agreements on services and investment as well. These topics were on the negotiating agenda with the EU and had been endorsed in discussions of regional integration involving Forum economic and trade ministers.

Those endorsements reflected the advice of consultants involved in both the EPA and PACER processes that services and investment commitments would attract beneficial foreign direct investment to the islands and help them overcome existing capacity problems.¹⁹ Yet the studies on services had offered no empirical evidence to support that assertion. Moreover, the reports failed to acknowledge, let alone examine the multi-faceted implications if Australian and New Zealand companies secured an even greater dominance over essential services like finance, telecommunications, retailing, tourism, air, maritime and land transport, education, health care and media.

The studies supporting an investment promotion and protection agreement (IPPA) similarly ignored the downsides (Forsyth, 2003; for more sober conclusions see Hughes, 2004). Such agreements routinely impose restrictions on government support for local investors, their ability to re-regulate foreign investment and the right to impose requirements on foreign investors to process resources locally or use local content. Those constraints, and others, were simplistically portrayed as being attractive to investors and hence beneficial to the islands. There was no warning, for example, about the standard 'takings' provisions of IPPAs whereby environmental, consumer protection or even anti-corruption measures could result in multi-million dollar arbitration claims if they reduced the profitability of foreign investments (Kelsey, 2004b: 34-36). The need for effective currency controls and regulation of transfer pricing to minimise the risks to the balance of payments and financial stability were also ignored.

The Forum Islands governments could have insisted on a reconsideration of such advice. However, that would require them to know the consultants' reports were inadequate, acknowledge that they might have been wrong to accept such advice in the past and invite a direct confrontation with Australia and New Zealand. It was easier to proceed with obvious ambivalence and see what they could secure as trade-offs.

The primary target was labour mobility. Fiji, along with other Pacific Islands, have been arguing in the WTO and EPA negotiations and Forum meetings that their comparative advantage is their people. In return for liberalising their goods, investment and services markets they have sought guaranteed rights of temporary access for workers in services such as tourism, health care, security, construction and seasonal agricul-

¹⁹ The studies supporting trade in services agreements presented abstract pro-liberalisation arguments that ignored any potentially negative implications, built around Scollay and Stephenson (2001).

ture.

This would allow Fiji to harness and capitalise on a movement of skilled workers that is already occurring in a parasitic way. New Zealand, Australia, the US and the Arab Gulf countries have actively recruited nurses and teachers whom Fijian taxpayers have paid to train, as substitutes for their own professionals who are seeking better pay and conditions offshore. Since 2003 this 'trade' in professionals has been dwarfed by the growing market for Fijian men as security workers in the conflict zone of Kuwait and Iraq - initially those with military and police training, but later almost anyone prepared to gamble with their lives for large financial rewards (Maclellan, 2006; Rokoduru, 2004; Kelsey, 2006b). By 2005 remittances were second only to tourism in foreign exchange earnings and Fiji was rapidly becoming a remittance-dependent economy (Storey, 2005).

Securing access for temporary migrants to the EU (known as Mode 4 of trade in services) became a central objective of the Cotonou negotiations, to create a precedent for Australia and New Zealand. Even if the EU refused, as seemed likely, Mode 4 would remain a pre-requisite, or at least a non-negotiable baseline for negotiations under PACER. The priority was to complement the outflow of professionals by securing guaranteed quotas for unskilled seasonal agricultural workers.

The Fiji government's objectives were supported in a report for the Asian Development Bank in 2005, (Connell and Brown, 2005) which starkly reversed the anti-remittance approach adopted by the financial institutions in 1990 (World Bank, 1990). They argued that remittances would help to alleviate the balance of payments deficit, provide income for local families and potentially increase the flow of investment funds to support new business ventures. More work offshore could soak up growing numbers of unemployed and alleviate associated social problems. People who returned with new skills, technological knowledge, business connections, an entrepreneurial spirit and links to the diaspora could increase social capital and enhance local enterprises.

These arguments were reinforced in a report from the World Bank in 2006. In a further repositioning, the report conceded that trade liberalisation could not substitute for the liberalisation of labour mobility and that the latter might produce greater benefits for some Pacific islands. However, this concession was firmly embedded within neoliberal orthodoxy, with the role of governments in host and source states being to facilitate a private migration market. Moreover, 'immigration liberalisation' was just one strategy for global integration and diversification of the islands' economies to accompany domestic economic 'reform' and tighter

regional economic integration (World Bank, 2006: x).

There seemed to be less interest in articulating the downsides of this trade-off. A remittance-based economy could be a developmental dead end in an economic and social sense. Claims by commentators that remittances could strengthen Fiji's domestic economy were purely speculative (Storey, 2005:13). There was an equally tenable scenario of generational dependency on temporary and semi-permanent migration, with family and national resources being channelled into remittance-oriented activities, such as education-for-export. Parents would work offshore to earn money to educate their children so they too could work overseas or migrate permanently. New investment in the domestic economy would be attracted to the largely foreign controlled remittance industry of private training providers, recruitment and personnel agencies and financial services. The outflow of franchise royalties and profits to foreign companies would reinforce a cycle of dependency on remittances to meet mounting balance of payments deficits, especially if the quid pro quo of trade liberalisation undermined exports. The bleeding of the National Providence Fund to pay student fees would also intensify.

As of August 2006 the prospect of any significant commitment from Australia and New Zealand seemed remote. The Australian Liberal government was adamantly opposed to a 'guest worker' scheme for the Pacific, despite pleas from employers who were desperate for seasonal labour. In a speech to the National Press Club in April 2006, foreign minister Alexander Downer rather disingenuously attacked such schemes as 'sucking cheap labour out of the Pacific' and likened it to 19th century blackbirding. Pacific people were welcome to come on holidays, to do business or migrate - provided they met Australia's universal immigration criteria (Downer, 2006).

Australia's preferred alternative, announced by Prime Minister John Howard at the Forum Leaders Meeting in 2005, was to establish an Australia Pacific Training College (APTC) that delivered Australian technical and vocational qualifications in various Pacific Islands. Phase two of the AusAID-led project sought tenders from Australian Registered Training Organisations to design and implement programmes on hospitality and tourism, health and community services, construction and electrical, manufacturing and automotive.²⁰ Downer described the project as a major effort to improve the skills of Pacific people who might then be able to live and work in, and migrate to, Australia under normal immigration

²⁰ Tenders closed on 21 June 2006. 'Tender Summary', accessed at: <http://www.ausaid.gov.au/tenders/displaytender.aspx?TID=016/06>

rules. A less generous interpretation was that Australia wanted to direct its aid funding to train skilled workers to meet its own labour shortfall and create commercial opportunities for its education export industry – a sector that tops the list for both Australia and New Zealand in trade in services negotiations. Australian officials responded to such grumblings by pointing out that Forum Leaders had endorsed the project in Papua New Guinea in 2005.²¹

The New Zealand government's position was more nuanced. A pilot scheme for seasonal workers that started in late 2005 was extended for nine months. In June 2006 foreign minister Winston Peters suggested that schemes organised by local churches, tribal leaders or local authorities, rather than governments, might overcome problems of 'overstaying'. At the same time, however, immigration officials denied that changes to immigration policies were planned.²² Days later the Minister of Immigration cautioned that 'the issues related to the risk of overstaying and potential exploitation would need to be addressed carefully' and that 'no decision has been made about the need for new policies as it is not yet clear that any advantages would outweigh the disadvantages.' (Cunliffe, 2006) By August 2006 Peters was telling local businesses with Pacific interests that 'the New Zealand government is actively considering this matter with some urgency' (Peters, 2006).

Even if access for temporary migrants was secured, Fiji lacked any effective means to regulate the corporate profiteers, such as recruitment and placement agencies, finance intermediaries and training institutions, who were already cashing in on the remittance industry (Kelsey, 2006b). Nor could they protect the human rights and social entitlements of its off-shore workforce (Rokoduru, 2004). The experience with the soldiers in Iraq (Maclellan, 2006) and seamen from Tuvalu and Kiribati (Borovnik, 2006), illustrated the potential social, health, cultural and gender implications for families, communities and national social services. These were all critical considerations, but Fiji had no systems in place to document, let alone address, them.

The final chapter of the World Bank's 2006 report proposed some idealistic ground rules to provide benefits and protections in employment, rights of migrants and obligations on host governments. But the likeli-

²¹ Personal communication, June 2006.

²² 'Pacific solution considered to labour market shortages' *NZ Herald* June 24, 2006. While there are several schemes under which Pacific Islands' workers could come to New Zealand (quotas; 'employer approval-in-principle schemes; and a seasonal work pilot scheme begun in December 2005) only 3750 of 50,000 people seeking to work in New Zealand were accepted in 2005.

hood of Australian and New Zealand employers and governments accepting those baseline rules was negligible. The accompanying proposal for small-scale pilot studies would take years to produce anything of significance, even if it was accepted. Meanwhile, it was likely that Pacific islands governments would continue to view temporary migration as a matter for trade negotiations. The dominance of the trade paradigm and a pragmatic desire to use it as a trade-off for further liberalisation meant more critical considerations were likely to remain invisible.

As the Cotonou deadline approached, Australia and New Zealand tried to move the PACER process along. In May 2005 New Zealand's trade negotiations minister announced that the Forum Trade Ministers Meeting had endorsed an impact study on the implications of advancing PACER, to be presented to the following year's meeting. 'Previously' he said 'they were cautious about getting in too deep, but now they can see things passing them by'.²³

Yet agreeing on the terms of reference for the impact assessment and the associated capacity gap study proved difficult. Even Australia and New Zealand, who effectively drafted the terms of reference in consultation with the Forum Secretariat, disagreed initially over the inclusion of social and environmental impacts. It was November 2005 before the Forum Island governments were sent the draft terms of reference.²⁴ The proposed study would focus on the economic impacts of integration, covering goods, services, investment and other trade-related matters. One case study would be included from each category of Pacific Island states. It would also consider whether there might be negative social, economic, environmental, or cultural impacts and how to address those impacts adequately. This would involve consultation with private sector and civil society organizations. However, the consultants were directed to build on existing reports, which ruled out any reconsideration of the decisions taken to date.

At the Forum Trade Ministers Meeting in June 2006 the island governments insisted that the impact study should examine every country and involve local partners if funds permitted. The 'gap' study should look to enhance the ability of policy makers, private sector and civil society.

²³ 'Pacific Island nations seek closer economic partnership with New Zealand and Australia' PACNEWS 30 May 2005, referring to the 'Outcomes Document. Forum Trade Ministers Meeting, Nadi, Fiji 27 May 2005' PIFS(05)FTMM.

²⁴ 'PACER-related studies on a more comprehensive framework for trade and economic cooperation between Forum Island Countries and Australia and New Zealand' PIFS (06)FTOM/FTMM 6 June 2006.

Tenders were to be advertised internationally as soon as possible. The consultants would have just five months to produce their completed draft, with the final reports presented to the ministers' meeting in 2007. Yet, by August 2006 nothing had been advertised.

Compared to 1998 when the negotiations on PICTA/PACER began, the Forum Islands governments were much more resistant to being pushed around by their dominant neighbours. They also understood how they could use civil society's challenges to their advantage. But they preferred 'subversion by inertia' and attempts to secure trade-offs over confronting the dilemma posed by PACER head on. That short-term prevarication meant they still faced negotiations with Australia and New Zealand in 2011.

The Neo-colonial Nexus

None of these initiatives was about 'trade' *per se*. They were driven by the neocolonial imperatives of the richer, more powerful states on which the Pacific islands had historically come to depend. In the mid-1990s, the European Union, Australia and New Zealand had begun reorganising their relations in the South Pacific to accord with their contemporary foreign policy and economic priorities.

When the EU released its Green Paper reviewing the Lomé Convention in 1996 its underlying concern was to refocus its attention and resources on Africa, where it competes with the US for influence, and minimise its obligations to the Caribbean and Pacific. It effectively dictated the terms of this renegotiation. As a result, Fiji and the other Pacific ACP states face the choice between accepting those terms or abandoning the historic 'partnership' with associated risks to the long-term flow of European aid.

Likewise, the PACER obligations were born of bullying and arrogance from Australia and New Zealand that was redolent of colonial times. Their subsequent behaviour in the WTO and the Pacific Islands Forum confirmed the primacy of self-interest over any genuine partnership with their South Pacific neighbours. While they had less direct leverage to coerce the Forum Islands' governments into negotiations on regional economic integration, they were pressing hard for these to begin before the mandated date of 2011. So long as Australia and New Zealand continued to control the purse strings for both the Forum Secretariat and the aid flows to the Pacific, they would seek to dictate the terms of that integration agenda.

These developments did not occur in isolation. The old colonial

nexus between European powers, Australia and New Zealand had taken a new form. The European Commission periodically provided Australia and New Zealand with updates on developments in the EPA negotiations. That relationship was consolidated when the European Commission released a Strategy for a Strengthened Relationship with the Pacific to coincide with the ACP-EU Council meeting in Port Moresby in June 2006 (European Commission, 2006). This was the EU's first ever strategy for the Pacific and was timed to counter perceptions that the Pacific was being abandoned. The focus on governance, regionalism and sustainable management of resources appeared selfless and benign, and was underpinned by the same commitments to poverty alleviation and development found in the Cotonou Agreement and the Doha Declaration. In time-honoured fashion, however, the proposals to 'upgrade and recalibrate' Europe's Pacific strategy and strengthen the 'partnership' were determined unilaterally.

A central feature of the strategy was a commitment to strengthened relations with third countries in the region and donor coordination. While mention was made of the US, Japan and China, the focus was on Australia and New Zealand. Consistent with the EU's regional integration agenda, this strengthened political dialogue would occur through the Pacific Islands Forum, which included Australia and New Zealand. This regional dialogue would be complemented by national dialogue with key Pacific ACP states, presumably Fiji.

The rationale for donor coordination with Australia and New Zealand and the focus at the Forum level was to ease pressure on the limited capacity of national governments. According to the EU strategy, an 'institutional assessment will be carried out shortly to establish the conditions for closer cooperation' that could involve 'moving to other forms of funding, implying a greater EU contribution to defining and monitoring relevant programmes'.

An early example of donor coordination was a proposed seminar on regional integration involving the three external powers and the Pacific Islands governments. What the former portrayed as a benign dialogue was interpreted by Pacific Islands' officials and politicians as a new alliance of old colonial powers seeking to coordinate their assault on the Pacific. Following a vigorous discussion, the Forum Trade Ministers resolved in June 2006 to support a seminar on 'The Pacific in a Globalising World – Opportunities and Challenges', subject to all Forum members agreeing on the funding, revised agenda and timing. The seminar was not to prejudice national or regional positions of any government. Reflecting their newfound and opportunistic appreciation of civil society, the Forum Island

governments also sought consideration for funding participants from universities, the Pacific Islands Association of NGOs (PIANGO) and the Pacific Islands Private Sector Organisation (PIPSO).

This account has shown how the dominant neocolonial powers are using 'trade' negotiations to set the parameters on Pacific regionalism. Fiji and the other Forum Island governments have tried to defuse and deflect these external pressures through a combination of explicit objections, passive resistance, acquiescence and obeisance – often displayed by different Forum Island representatives at the same meetings. At some stage they will have to decide whether to continue the defensive strategy of damage control or attempt to change the terms of the relationship. While there are growing signs of dissent, the Islands governments do not speak with one voice. If they cannot agree on a way forward, Fiji will need to take a position on its own.

The Pacific Plan

The Pacific Plan's four pillars - economic growth, sustainable development, good governance and security through regionalism - are all premised on this model of trade-driven economic integration through PICTA, PACER and EPAs (Pacific Plan Report, 2006). The standard justification for such broad-ranging reciprocal agreements is that the Pacific Islands can only survive in a globalised economy if they regionalise, and nothing will be done if governments are not pushed from the outside to integrate (for example, Duncan, 2002).

In a speech on Regionalism and the Pacific Plan in December 2005 the Secretary General of the Forum Secretariat Greg Urwin reported that a cost-benefit analysis had concluded

that, in broad terms, there are two key areas which are expected to provide the highest gains in the Pacific *(i) regional provision of goods and services to compensate for and overcome capacity limitations at the national level; and (ii) increasing development opportunities through integration and the creation of larger markets.* ... Consideration is being given to moving progressively towards a comprehensive framework agreement among all members, one that includes free trade in goods and services, broader economic cooperation and perhaps one or two other elements (Urwin, 2005).

As with the trade negotiations, the confidential consultancy reports used to support that conclusion have gone largely uncontested within of-

ficial circles. Most of these studies rely on abstract econometric modelling and fashionable theories, most recently 'the economic theory of clubs' (ADB, 2005). They are never balanced by empirical examination of the real world effects of such a 'development' agenda. In stark contrast, civil society researchers from within the region have begun preparing detailed empirical case studies that highlight the economic social, distributional, cultural and political impacts of sectors such as tourism and fisheries, including risks to the security of customary land (Slatter, 2006a).

There is a comparable silence on the causal links between macro-level structural adjustment and trade liberalisation policies in the South Pacific and the insecurity and instability that results from people's poverty and desperation (Slatter, 2006b). Instability is represented as evidence of unhealthy aid dependency and corruption in failed or failing states. The formulaic solutions are yet more privatisation, liberalisation, deregulation and state sector restructuring - backed, in extreme cases, by the dispatch of Australia military and economic police, supported actively or tacitly by New Zealand. In a circular process, 'failed' states provide the justification for further intervention and create a self-fulfilling prophecy. Dodging demands to examine these connections has become a diplomatic art. On one hand ministers appear much more willing to make commitments to social impact assessments, especially as a defensive ploy, but that is followed by inaction or tokenism.

The combination of time pressures, short-term expediency, political egos, ideological dogma, political allegiances, aid dependency and externally dictated agendas seems to have led Fiji and other Forum Islands governments to accept that there is no alternative. To what end? As Greg Fry has pointed out, regional arrangements that lack political and moral legitimacy will be unsustainable. Legitimacy depends on what and who is excluded and included, on what grounds; who belongs to the community on what basis; and who speaks for it and determines its policies. Fry sums this up as 'who controls the idea of Oceania and claims to speak for it?' (Fry, 2004:5) The current manoeuvres over the EPAs and PACER reflect a long-standing tension between self-determination and attempts at hegemonic regionalism by powers that see themselves as patrons, not participants (Fry, 2004: 11). Those dominant players privilege neoliberal orthodoxies and associated concepts of development.

Writing at the time of the EPG report in 2004, Fry suggested that the Pacific Plan had the most prospect of gaining legitimacy of the three models of a Pacific regional community that were under discussion:

that contained in the Australian government's proposal, put for-

ward since August 2003, to strengthen the Pacific Islands Forum as part of its responsibilities within the 'war against terror'; the more radical Australian proposals for Pacific Economic Union put forward by a Senate Committee, academics and journalists in late 2003; and the vision of future community implied in the report of the Eminent Person's Group of the Pacific Islands Forum in April 2004 (Fry, 2004: 9).

The first and second were direct reflections of Australia's hegemonic pretensions, in line with its perceived 'special responsibility' to protect the interests of foreign powers and global agencies in economic and regional security. The Pacific Plan, by contrast, could be authentically Pacific.

That has proved unduly optimistic. Civil society organisations from every part of the region point to minimal understanding and ownership of the Pacific Plan among local communities and businesses and have pleaded for a regional agenda that gives priority to the economic, cultural, social and human rights.²⁵ In similar vein, the Pacific Caucus at the Permanent Forum in Indigenous Peoples in May 2005 has objected that indigenous Pacific nations were excluded from consultation on an initiative that would affect their territorial waters, development and food security. They sought a moratorium on the Plan to allow more comprehensive consultation and inclusive dialogue to ensure that it enjoys the 'free, prior and informed consent of the Pacific indigenous peoples' (Mead, 2005). Ron Crocombe is correct when he points to more consultation over the Pacific Plan than any previous Forum initiative. But that does not equate with informed participation in its design and direction, let alone ownership of its content by those whose lives and livelihoods stand to be most directly affected.

For regional integration to have legitimacy it must be informed by local economic, social, cultural, environmental and governance objectives, and form an integral part of national development strategies. That means both the tools of analysis and the substance must relate to the real world and the diversity of Pacific nations. The 2005 documentation endorsed by the Leaders was the antithesis of that. It presented a theoretic-

²⁵ Statement of Pacific Civil Society Meeting on Trade Negotiations, Nadi Fiji 13-16 June 2006, signed by NGOs and civil society groups from 9 Pacific Islands countries. This contradicts the assertion by Ron Crocombe that opposition to the Plan is being voiced only by unaccountable and untransparent Suva-based regional NGOs, in 'Correspondent's Report: Concerns over Pacific Plan Implementation', www.abc.net.au/correspondents/content/2005/s1467529.htm

cally driven template that most Forum Island governments seemed to have little capacity or political will to implement. As Tony Hughes explained in his 2005 report on *Strengthening Regional Management* this is a common feature of regional decision making:

When Heads of Government get together away from home a mutually uplifting experience can occur, in which their political feel temporarily leave the ground. The officials in attendance may be less ready to pull them back to earth than their advisers at home. Heads of Governments in regional conclave may experience a strong sense of regional identity and common purpose, and their resulting joint statements may be set on a high visionary plane and be luminously expressed. But when they get home the tone commonly changes. Regionalism generally does not play well in domestic politics, and governments are mainly concerned with staying in office. Statements by Heads of Governments for home consumption may therefore shift to expressing reservations about loss of sovereignty and determination to protect the national interest, or simply saying nothing at all about regional issues. The actual order of political priorities thus revealed constrains national capacity to commit the resources needed for effective regional programmes, even in areas that are recognised as appropriate for regional cooperation (Hughes, 2005: 8-9).

Hughes went on to note the undue influence of Australia and New Zealand in Forum affairs, suggesting that 'regional cooperation based on the Forum can be mobilised in practice only if it is perceived by Australia and New Zealand to be in their interests, or at least not contrary to them' (Hughes, 2005: 10). This attitude engendered resentment and a lack of support for regional integration by those who sensed they were at the bottom of the heap. He urged a realistic approach to regionalism that recognised the wide range of national circumstances among the Forum Island Countries, the divergence of interests and directions among the various sub-regions, and the dominance of Fiji. Ron Crocombe has also argued that Melanesia, Micronesia and Polynesia are not a natural fit (see, for example, Dorney, 2005).

This tension between the rhetoric of regionalism and national realities poses a particular challenge for Fiji, which has been playing, and will continue to play, a pivotal role in leading the regional integration process. It has highly regarded and experienced leadership at the political level in Minister Tavola and Isikeli Mataitoga as its senior trade official. Yet even Fiji's capacity has been swamped by the brigades of trade experts that the

EC, Australia and New Zealand bring to the negotiating table. Most of the other Forum Island Countries are very poorly equipped. As one of the two largest players, with the Forum Secretariat in its midst, Fiji also has a greater opportunity to influence the direction of those discussions. Smaller more vulnerable islands rely on Fiji to ensure that their interests are not marginalised, that Australia and New Zealand cannot bulldoze through their demands, and that the Forum Secretariat remains a secretariat with the power of decision-making residing in the sovereign member states. Yet Pacific governments also have varying attitudes towards dependency on those external powers, making unity difficult to achieve and maintain, especially where Australia and New Zealand are concerned.

Reconciling the self-interest of Fiji and its peoples with the responsibilities of regional leadership is not easy. Fiji itself is seen as dominant amongst the Islands in the region and is caught in the tensions and rivalries between Polynesia, Melanesia and Micronesia. Because it is predicted to be the major beneficiary from a full implementation of the MSG trade agreement and PICTA, attempts to enforce those terms are likely to exacerbate tensions even within sub-regional groupings, as seen already with Vanuatu.²⁶

Similar tensions are evident in other parts of the world. David Jessop, the Director of the Caribbean Council, has remarked that Caribbean politicians and officials for over 50 years had

an inalienable belief that the dream of a single integrated region is achievable. ... Today it is hard to avoid the conclusion that the Caribbean is in the process of transiting to some other place. Somewhere in which a number of associated autonomous parts with very different objectives and economies will co-exist uneasily in a Caribbean Single Market and Economy (CSME) under constant external pressure to achieve greater regional integration and to cede sovereignty... Just months after CSME was launched, national self-interest, significantly different levels of economic development, the pressures of having to finance current account deficits and variable strategic concerns would appear to be pushing the region apart (Jessop, 2006).

Jessop suggested that these tensions 'might matter less if there was the time to face external change and establish a new equilibrium'. But external deadlines for trade negotiations were forcing the pace. The problem, he argued, was not with culture or aspirations, but with the ability of

²⁶ Joint Communique from the 16th Melanesian Spearhead Group Summit, Goroka, Papua New Guinea, 19-20 August 2005.

'institutions, governments and business to rise to the new challenge of constant change, as global history alters direction, and we all become more closely integrated and lose elements of control over our own destiny.' This retreat back into the rhetoric of regionalism, however, fails to address the contradictions between the abstraction of the single market and national socio-political realities that Jessop had so tellingly identified.

It is debatable whether this dilemma stems from the neoliberal model of regionalism or the impracticality of regional integration *per se*. So long as the only vehicle for cooperation and development is externally driven trade agreements, however, the potential for alternative approaches to regional cooperation that are considered more legitimate will never be explored.

This is not to suggest that Fiji or other Pacific Islands governments should simply sit back and let the waves of globalisation wash over them. A search for new solutions to the same dilemma is driving innovative new thinking in Latin America.²⁷ Spurred on by the failure of imposed free market policies, governments in Venezuela and Bolivia are talking about People's Trade Agreements that exchange investment, energy, food, technical expertise, health professionals, knowledge of traditional medicines and production techniques on an asymmetrical and cooperative basis. Their explicit goal is to strengthen the mutual capacity of each country to provide social inclusion, resource sustainability and food security within a framework that respects people and culture and preserves the environment.

The history, geography, resources, capacity and politics of countries in Latin America and the South Pacific are literally worlds apart. But the underlying principles are not. The idea of sub-regional arrangements and institutional cooperation that reflect the priorities of the people and their shared values seem to have more in common with the Pacific Way than the prevailing framework of global markets that is dictated by the WTO and neo-colonial powers. Such outcomes may also be more achievable and sustainable, given the hostility of the outside world to the interests of the Pacific islands and the pending international crisis in energy, security and ecosystems. The danger is that these and other alternatives will not be explored until the existing avenues have failed.

²⁷ See <http://www.tni.org/altreg-docs/boliviasteatreaty.htm> (accessed 06/08/06)

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