



Speech for

The Hon Warren Truss MP

Minister for Trade

To

**17th General Meeting of the Pacific Economic
Co-operation Council**

Managing the Challenges to Growth

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(Check Against Delivery)

Introduction

Thank you Professor [Professor Christopher Findlay, Vice-Chair, of the Australian Pacific Economic Cooperation Committee]

Dr Charles Morrison, Chair of PECC

Mr Bill Shields, Chair of AUSPECC

Deputy Secretary David Spencer, Chair of APEC Senior Officials

Distinguished Guests, Ladies and Gentlemen:

Good afternoon, and let me say how very pleased I am to be invited to speak at the 17th General Meeting of the Pacific Economic Co-Operation Council.

Your discussions over the past two days, on issues ranging from economic and trade reform to energy, climate change and urbanisation, demonstrate the special contribution that PECC makes to our understanding of the region.

PECC does great work bringing together serious thinkers from business, government, academic and media circles to discuss ways to build a prosperous and peaceful Asia-Pacific region. So I am pleased to be able to contribute this afternoon.

It has been nearly 27 years since PECC held its first meeting in Canberra. Since then, our region's importance to the world economy has shifted decisively, and it is now very clear that we cannot resolve challenges to the world economy without engaging our region.

If the world economy resembles a long and rambling train, then the United States remains its locomotive.

But risks are looming on the track to growth. If the US engine weakens, there are quite possibly negative consequences for the region and the world.

There are growing protectionist pressures in several economies and the WTO's Doha Round hangs in the balance. Then there are the somewhat different risks flowing from the high pace of growth in China and India.

So I'd like to talk this afternoon about how the Australian Government is preparing to meet these and other risks.

Maintaining trade reform

First of all, achieving a successful conclusion to the World Trade Organization's Doha Round remains our top trade policy priority, and the government is working actively to encourage that outcome.

But the bottom line is that the only outcome that will achieve consensus is one that delivers new commercial opportunities across the key negotiating sectors, agriculture, services, and industrials. Getting a consensus on agriculture remains the stumbling block.

I've recently returned from Pakistan where I chaired a meeting of the Cairns Group of countries that support reform to international agricultural trade. The Group has called for immediate action to avoid putting the Doha Round at risk of drifting indefinitely, or even failing.

Some may say that failure in the Doha Round isn't all that bad. I disagree. The multilateral trading system, represented by the GATT and its successor the WTO, has delivered major market access gains that have driven trade growth over recent decades.

Having a multilateral trading system based on agreed rules has been a crucial factor underpinning global growth since World War II.

The WTO is still all about creating market access and that is why I believe concluding Doha is certainly worth the effort. If we lose the political will to settle an ambitious outcome to the Doha Round, confidence in the entire system could be put at risk.

The Australian Government is doing all we can to achieve breakthroughs that will allow the conclusion of Doha negotiations by the end of this year. I am in regular contact with my counterparts who form the G6 alongside Australia including - US, India, Brazil, the EU and Japan.

I recently attended a meeting of the G6 group of Trade Ministers in New Delhi. At this meeting the G6 outlined its preparedness to intensify our engagement in parallel to the multilateral negotiating group process in Geneva. Australia will continue to actively engage with this group with the aim of raising the ambition.

While the EU and US need to do more, countries such as Brazil and India must come to the table as well.

It is clear there is the political will. Presidents and Prime Ministers have clearly articulated they are willing to invest the political capital to secure an outcome.

The Australian Government will continue to pursue an ambitious outcome which has remained our goal even when the talks were stalled.

Labor on the other hand has walked both sides of the street.

Firstly ducking for cover and then riding on the back of the Australian Government's determined effort.

In July last year the now Leader of the Opposition said Doha was "*as dead as a dodo and we need to accept that fact*". (Kevin Rudd Media Release 25 July 2006).

Yet in November he quickly changed his position by saying it "*is for this government to join every element of its diplomatic and political energies towards the successful conclusion of the Doha multilateral round*". (ANZCERTA READING 28 November 2006).

Australia cannot afford mix messages to be sent to Australian exporters and the members of the World Trade Organisation.

Our exporters would be permanently damaged if Labor was again allowed to determine trade policy.

A successful conclusion to Doha is within our reach but we must work hard in the weeks and months ahead to get there. Many hopes rest on the key players putting in that extra effort.

Regional integration

Our region has certainly been a showcase to the world of the benefits of opening up to trade. The widespread lowering of trade barriers and regional economic integration has seen living standards rise for an unprecedented number of people.

If you take the total population among APEC economies - that's around 2.7 billion people - incomes per person have more than doubled since 1989.

The steady rise of a new consumer 'middle class' across Asia is a profound trend that is transforming the region and will no doubt reshape the world's economy this century.

Investment barriers have also fallen and average applied tariff levels have plunged from 16.9 per cent in 1989 to around 5.5 per cent in 2004.

There are several dynamic factors driving Asia's growth and economic integration. APEC has given this dynamic some extra spark, through its focus on capacity building, trade reform and facilitation, and opening up investment.

For Australia, our prosperity relies heavily on APEC economies continuing to free up trade and open up opportunities for the exchange of goods, services, people and ideas.

Nearly 60 per cent of our two-way trade in goods and services is with countries in the Asia-Pacific region and seven of our top 10 trading partners are APEC economies.

The scale of economic integration between Australia and the region means that developments in the Asia Pacific are a critical factor in our own economic and trade performance.

This year, Australia plays hosts to APEC. Our ambition is regional prosperity: we want to see living standards rise; we want to see more and better jobs being created; and we want to see poverty reduced even more.

But to achieve these ambitions and protect the region against risks to growth, it is essential that countries continue to: firstly, free up trade to boost economic growth; secondly, maintain political stability and security and lastly, reform domestic economic policies to improve efficiency.

APEC can and has made a contribution to these areas; and as the region's pre-eminent economic institution, it is the logical forum to drive ambitions for prosperity.

Indeed, the policy directions that APEC sets can serve a broader function by guiding and initiating international policy debates.

So let me commend PECC's latest *State of the Region* report for calling on economies to renew their commitment to regional institutions like APEC.

I note PECC's work to examine how Free Trade Agreements in the region affect business. I think this complements the work going on in APEC to develop so-called 'model measures' to smooth out the inconsistencies among the various FTAs and reduce the costs to business.

APEC is also promoting greater regional economic integration. Part of this agenda is to examine, as the long-term option of a Free Trade Area of the Asia Pacific.

Now, I know there are concerns about a complex so-called 'noodle bowl' of FTAs across the Asia-Pacific. I am not as worried because noodle dishes are, after all, pretty simple! And similarly, Australia engages in FTAs for a few simple reasons.

Combined with our work in the WTO, FTAs are part of our all-round approach to trade reform. We think high-quality FTAs can help to deepen economic integration and promote growth between Australia and our trading partners.

We need to take a strategic approach to FTAs because many of our key trading partners are also engaged in FTA activity. Ultimately, FTAs can work as building blocks for further trade reform.

Environment

Let me outline a third broad risk to growth and what Australia is doing to meet that risk.

It is unrealistic to believe that economic growth can be maintained in the future without addressing climate change but we don't believe that economic growth has to be sacrificed.

Reducing greenhouse gas emissions and addressing climate change is one of the great global challenges of our time, with critical economic implications.

China's booming economy, for example, is energy intensive. The International Energy Agency recently forecast that China will overtake the United States as the world's biggest emitter of carbon dioxide by 2010.

We support a United Nations negotiation on future climate change action that engages all major emitters but we can't afford to do nothing while the UN searches for a global consensus.

That is why the Australian Government has taken a pragmatic approach to climate change that promotes practical action now.

APEC offers a key opportunity to advance the international debate on climate change action. The Prime Minister has written to all APEC Leaders to flag that clean development and climate change will be a central focus of the APEC leaders meeting in September.

We are also supporting the development of technologies that can deliver the big cuts in emissions that we need. We are engaging the main players through the Asia-Pacific Partnership for Clean Development and Climate – the AP6.

By bringing Australia, China, India, Japan, Korea and the United States into one group, the AP6 offers the prospect of real reductions in greenhouse gas emissions. Together, we can drive the search for technological solutions to climate change and support clean development.

In the AP6, we have the right people in the room to make a real difference. Talking directly to the right people will be pivotal if we are to promote real action on climate change.

Australia has already committed \$60 million to 42 projects in the first round of action, including \$34 million for 21 projects with Chinese involvement. The projects include activities focused on high-efficiency solar power stations, the capture and storage of carbon dioxide, and energy efficiency efforts.

In Beijing last month, I had the opportunity to talk with my Chinese counterparts about the importance of taking measures to manage future emissions.

Australia remains committed to working closely with China on the key issues of energy efficiency and clean energy. I urged China to work closely with us on emerging technologies such as carbon capture and storage. These technologies will be key to reducing future emissions while still allowing use of abundant coal supplies in China.

Conclusion

Ladies and Gentlemen, I've outlined some of the broad risks to growth and what the Government is doing to meet them.

We are fortunate to live at a time when great optimism abounds in our region but there are risks. Risks that cloud our horizon and unfortunately, there is no hard empirical basis to measure how these risks will play out over time. We simply don't know.

But PECCs work to understand these risks offers enormously useful guidance to policy makers on a day-to-day basis. Economies in our region would be prudent to take notice.

I wish you well for the rest of the conference and if you have any questions for me, I'm very happy to answer them for you.

Thank you

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