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Opening Address

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Ladies and Gentlemen, I wanted to share with you this morning some Australian government perspectives on APEC and Australia's plans for 2007. But before doing so, I want to congratulate Alan Oxley and his team for putting together what is an excellent program for this year's conference. Of course, I would have expected nothing less from Alan who has for a number of years put considerable personal energy and commitment into managing Australia's APEC Studies Centre based at Monash University.

From the perspective of an APEC member government, this week's program has a lot to commend itself insofar as it is closely aligned with the official agenda of APEC and is closely geared to the views and interests of the business sector.

The business briefing segment at the end of the Conference is a particularly valuable innovation.

APEC is unique as a forum in the way that it engages directly with the business sector through a number of its working groups and so called industry dialogues and through the APEC Business Advisory Group, which is made up of three representatives of each of the 21 members of APEC. It also reaches out to industry through APEC Centres, through organisations such as PECC and through industry associations.

The fact that the Conference is being held on the eve of the second meeting of APEC Senior Officials in 2007, to be held in Adelaide next week, is very timely. Most of the issues we will be grappling with next week in preparation for Ministerial meetings over the next six months are on the Conference agenda.

Australia is pleased to be hosting APEC this year. 2007 has got off to a strong start. Senior Officials have mapped out a set of priorities based on the instructions set by Ministers and Leaders in Hanoi last November. We have established a sound working rapport with ABAC and have set in train a number of initiatives.

We have already hosted three Ministerial meetings – Mining in Perth, SME's in Hobart and Transport in Adelaide.

Energy Ministers will be meeting in May, Trade Ministers in July, Finance Ministers in August and then we will have the annual Ministerial and Leaders' meetings in the first week of September.

Now I am not so naive as to suggest that APEC's performance should be judged on the number of meetings it holds or the number of words contained in Ministerial communiqués. As Australia's Ambassador for Asia Pacific Economic Cooperation, I am acutely aware of the criticisms which have been made over the last couple of years about the perceived failings of APEC. I would note though that the array of ministerial meetings is indicative of APEC's success in building a community of interest across a very diverse range of interests.

In 1989 when Australia hosted the first APEC meeting there were only 12 participating economies. Most of us were unsure as to what lay ahead. Some of us had lofty visions of a Pacific OECD. Others were quite suspicious about the merits of a new forum and were opposed to setting up a new regional organisation. In fact we did little more in November 1989 than agree to meet again.

We have come a long way in 17 years. We now have 21 members, annual meetings of heads of government, annual meetings of key economic Ministers, a private-sector Advisory Council, an agenda that covers a wide spectrum of economic affairs, a dedicated Secretariat and a large number of committees, working groups and task forces.

Our critics argue that APEC members spend too much time talking and too little time on action, that they are strong on goals and short on achievements, that they like adding new items to the agenda and are easily diverted by other issues that tend to undermine its capacity to get on with its core work. And organisationally APEC is weak and lacks continuity.

Australia believes APEC has been a success and has contributed to the remarkable economic growth and transformation that has taken place in the region in the last two decades. As a forum based on voluntarism, consensus and concerted unilateralism, APEC has its distinctive characteristics. With the emergence of new fora in East Asia it also now has some competition.

Let me explain what approach the Australian government is taking to APEC

We believe that it is a valuable forum and we want to strengthen it in terms of both its organisational and operational output.

Our agenda this year is wide ranging but very focussed. On the core issue of trade and investment liberalisation we have a number of priorities.

First and foremost is to bring the WTO negotiations to a successful conclusion. APEC Leaders and Ministers will be doing everything they can this year to reach a deal. APEC has been instrumental in the past in moving things forward. We now face the critical challenge of bringing the negotiations to finality.

Second, we are committed to putting together another APEC trade facilitation action plan whose aim is to reduce business costs in the region by 5% by 2010. This plan will focus on the nuts and bolts of trade. It will not only address the core trade facilitation issues of customs procedures, standards and conformance, e-commerce and business mobility but it will also address some of the 'behind the border' impediments to trade. It will also encourage greater collective actions by APEC members

Third, we will be continuing the work we have set in train on model measures for RTA's. There has been a significant expansion in the number of RTA's/FTA's among APEC members over the last few years. There are now some 20-odd intra-APEC agreements in operation and at least a dozen others under negotiation. Many of them involve several APEC members.

In an effort to encourage more comprehensive, transparent and consistent agreements, APEC has developed a series of model measures that serve as a reference for APEC members engaged in RTA negotiations. Seven so called chapters have been agreed already and we expect to conclude more this year.

We are also applying greater attention to investment liberalisation and facilitation issues. There has been a feeling that these have not been given the same attention in APEC that trade issues have received in recent years. The first step in this process has been to identify barriers to investment in the region – both at and behind the border.

The next major priority is to respond to an instruction from APEC Leaders in Hanoi to report on ways and means to promote economic integration in the region, including a FTAAP as a long term prospect.

This is a very broad remit from Leaders and we are now in the process of formulating a response. The original motivation for this work, particularly on the FTAAP, came from ABAC, our business advisory group.

It was probably inevitable that attention has focussed on the idea of an FTAAP about which there is much controversy and a healthy degree of scepticism as to its feasibility in the near term.

As we will be examining the feasibility of an FTAAP in the first session this morning I do not propose to dwell on the issue other than to say Australia wants to give the proposal serious consideration as a long-term objective.

We are conscious that the FTAAP idea is one of three regional FTA's now under consideration, the others being proposals for an ASEAN+3 FTA and an EAS FTA.

I should also say that while an FTAAP is a potential vehicle for promoting REI, we believe that there is considerable room to deepen and strengthen our economic linkages outside the formal negotiation of an FTA.

We believe there is significant scope to make progress in such fields as capital markets, transport, competition policy, government procurement, IPR, standards, investment, health and regulatory measures.

Over the last 17 years, APEC has focussed mainly, though not exclusively, on the way in which the liberalisation and facilitation of trade and investment can help to promote economic growth and cooperation.

We have given greater prominence to the potential to promote growth by reducing barriers at the border. These are, by and large, much more visible and easier to deal with than other less transparent impediments to growth.

I think it is fair to say that we have made considerable progress in paring down general levels of protection. Average tariffs have been cut by more than half and now average only five percent across the APEC region, though we still have some way to go in a number of highly sensitive areas.

In Australia's view we have paid insufficient attention to work on structural reform and behind-the-border issues. Inadequate or overly burdensome regulatory and prudential systems, measure which inhibit competition, both domestic and foreign, insufficient investment in infrastructure and poor governance have all impeded growth.

All the empirical data suggest that over the longer term, economies who tackle these BTB barriers achieve greater macroeconomic stability, experience faster productivity growth and higher living standards and are more resilient to economic shocks.

Australia has put forward a number of suggestions to strengthen APEC work in the area of micro-economic reform. We want to place as much emphasis on this area as we do on trade and investment liberalisation.

Another area of priority is energy security and the environment.

In Hanoi last November, Leaders instructed ministers to report in September 2007 on ways in which APEC can further contribute to responding to the challenges of meeting growing energy demands while minimising environmental effects.

Prime Minister Howard has recently written to his counterparts foreshadowing his intention to put the issue of clean development and climate change at the top of the agenda for the Leaders retreat in September.

The economies of APEC already account for 60% of global energy demand and include the world's four largest energy consumers. Energy demand across APEC is projected to double by 2030.

Many APEC economies are now actively engaged, individually and collectively, in a range of multifaceted initiatives to respond to the challenges of energy security and climate change.

Within APEC, there are a number of groups involved in developing cooperative policy responses. Mining Ministers agreed in February to look at ways of further reducing barriers to trade and production of key mining, including energy, products. The Energy Working Group met recently in New Zealand and Energy Ministers are scheduled to meet at the end of May to consider a number of proposals to enhance energy security and sustainable development through a variety of efficiency, conservation and diversification initiatives. The recent meeting of Transport Ministers welcomed a proposal for a workshop on measures to reduce aviation emissions.

I expect that Trade Ministers in July and Finance Ministers in August will also address aspects of the issues ahead of the Leaders meeting in September.

Australia is committed to doing its part to promote clean development. We have already committed billions of dollars to develop low-emissions technology. We are supporting more efficient energy use, the uptake of renewable energy and reductions in land clearing.

We were a founder and major contributor to the Asia-Pacific Partnership on Clean Development and Climate which aims to develop and disseminate low-emissions technologies through practical public-private action. We will work with others through the recently announced Global Initiative on Forests and Climate to reduce deforestation.

APEC reform is another Australian objective. Over recent years APEC members have introduced a number of measures to become more efficient and results oriented. We have slimmed down the number of technical groups, improved our systems of evaluation and coordination, provided more money for capacity building, built more effective delivery mechanisms and strengthened the secretariat.

However, we still have some way to go in ensuring we have the capacity to support our activities.

The Secretariat is small and under-funded. Australia has proposed a term-appointed executive director to replace the annual rotating ED which we have at present. This will help to ensure more professional leadership and representation and greater continuity in the Secretariat's work. We have also proposed the establishment of a policy support unit of economists to assist with our trade and behind-the-border agenda. This would provide greater analytical support for APEC's work and facilitate capacity building for developing member economies.

Another important issue this year will be the suite of human security issues.

The unprecedented changes in technology, and the movement of goods, services, people and capital across borders, all of which has delivered such enormous growth and development, has also been accompanied by more illegal movement of people, of drugs and arms and weapons across borders. It has created grievances among states which for one reason or another have not reaped the benefits of globalisation. It has increased the problems of pandemics, and it has broadened the challenges we face in the area of energy and the environment.

APEC has a key role to play here in complementing the work we do on growth and competitiveness with enhancing security and accountability.

I want to mention two initiatives we will be taking this year in the human security area.

The first relates to our co-chairmanship of the taskforce on emergency preparedness which was set up after the Indian Ocean tsunami in 2004. Australia will be hosting a meeting of CEOs of emergency agencies from the region in an effort to plan for future such emergencies.

Australia will also be hosting the fifth Secure Trade in the APEC Region (STAR V) conference in Sydney from 27-28 June 2007. The conference will be designed to promote a dialogue between government and business on ways to enhance the secure movement of people and trade in the region. The theme of this year's conference "Mitigating Risk; Containing Costs" recognises the importance of developing cost-effective solutions to security and will focus on two key areas: identity security and security of the supply chain.

One of the other issues which will come up this year is the expiry of the 10 year moratorium on new Members.

Like most good clubs, there are a number of countries who have expressed interest in joining APEC.

I think it would be fair to say that as a group APEC has adopted the approach that on the one hand we are not a closed shop nor cut off from contact with non-members but, at the same time, we have been conscious of the desire for consolidation and effectiveness.

The decision on this matter will be taken by Leaders in September

Conclusion

Since its inception in 1989, APEC has played an instrumental role in building cooperation within the region. It has done this through sharing policy experiences, capacity building and technical assistance, developing best practices, drawing on international expertise and experience, in setting targets, in occasional joint actions and peer reviews and evaluation.

We think APEC has performed creditably over the past 17 years. It has ameliorated the transition from the old tensions of the cold war. It has helped to open markets in the region while supporting the multilateral trading system, it has evolved in terms of an agenda beyond its original core interest, it has tackled issues pragmatically and helped to foster economic integration. It is not a rules-based organisation or a negotiating forum so its achievements will not always be as visible as we might like but they are real.

We think that a reinvigorated APEC has the capacity to be even more relevant in the future than it has in the past. We see a number of major issues for 2007 – to help bring Doha to a conclusion, to develop a platform of concerted actions to take forward on clean development and climate, to agree on ways of promoting regional economic integration, including through an FTAAP, to reach agreement on a new trade facilitation plan, to move forward with a new APEC agenda on structural reform, and to strengthen the Secretariat so that it is better equipped to support members.