

*2007 Monash APEC Lecture*

# How Can APEC Build Regional Prosperity?

The Hon Alexander Downer MP  
Minister for Foreign Affairs, Government of Australia

Introduced by Hugh Morgan AC  
Board Member, Reserve Bank of Australia

**19 April 2007**

**Crown Casino, Melbourne**



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University



Asia-Pacific  
Economic Cooperation

**The Australian APEC  
Study Centre**

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**MR ALAN OXLEY (Chair, Australian APEC Study Centre)** – I would like to welcome Mr Alexander Downer, Minister for Foreign Affairs, as our Monash APEC lecturer and I'd like to introduce Mr Hugh Morgan AC. Hugh is going to introduce Alexander Downer.

Hugh Morgan is a great Australian, a very well-known Australian and a doyen of the Australian business community. He is a Director of First Charnock, a Director of the Reserve Bank of Australia, a member of the Lafarge International Advisory Board, a Trustee of the Asia Society of New York, Chairman of the Asia Society at the Australia-Asia Centre, President of the National Gallery of Victoria Foundation, Chairman of the Order of Australia Association; and that's what he does in his spare time.

Hugh, more importantly, was for many years the Chairman and CEO of Western Mining Corporation, one of Australia's great mining companies. He was also a Director of Alcoa of Australia and Immediate Past President of the Australia-Japan Business Cooperation Committee. He was also Chairman of, I believe, the Australian-German Business Association.

Hugh understood the importance of being across the important trading partners of Australia and, for a period of time, was Chairman of the Business Council of Australia, which is our premiere business organisation. I guess it is comparable to the Business Round Table of the United States- an association of business CEOs. So, I'd like to ask Hugh, please, to come and introduce Alexander Downer.

**MR HUGH MORGAN AC** – Thank you Alan, well it is nice to see the APEC family today. You are on day two and you have one more day to go. You are counting it down, I am sure. We have had Alan, who has been very kind, with his kind comments, but my task is to introduce the Minister for Foreign Affairs, Alexander Downer.

Now, it's interesting when anyone looks at the history of Alex's contribution to Australian political life, to go back and recognise there are really interesting features about him. Alexander Downer's sort of genetically engineered to be Foreign Affairs Minister. He's the son of someone who served Australia in that capacity in an outstanding manner. He spent part of his childhood living in London, with his father.

I remember on several occasions, being with Alexander at Australia House and walking around and there were the photographs of his father's contributions. Having lived at Stoke House, it wasn't a hardship post, let me tell you. But it's interesting, when you look at how Alexander left university, then got engaged with the Department of Foreign Affairs and had some four or five separate appointments. He carried on after that, honing his political instincts, I'll put it that way, as advisor to several of our distinguished political masters, before becoming the representative for the electorate of Mayo in South Australia, I think in 1984.

From 1986 onwards, he held a number of very important Shadow Ministries, including Defence, The Arts and Heritage, a whole series of important positions, before gaining

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office in 1996. Since 1996, he has been the Minister for Foreign Affairs. And, in that capacity of course, he has become an accomplished and very well-recognised representative of this country abroad.

In fact, I suspect and I don't know, I haven't looked at it, but I suspect, that he is the most senior Minister for Foreign Affairs, certainly within the Asian region and a lot of other regions as well. He has held that capacity, and has demonstrated an ease and accomplishment for relationships and made a major contribution to our increasing entry into, and accommodation with, interests in Asia.

Public life is a difficult one. There is no doubt that politics is exciting. It's got its rewards. But, it is a contribution of some significance to serving the community as a whole. And, while it's got its upsides, it's also something that demands tenacity. It demands a commitment to the community as a whole. And, we have seen that

par-excellence in Alexander. We have seen in it in his wife, Nicky, who has actually put up with all of this, the demands that come upon an important leader like Alexander. We are all fortunate that he has come here this evening. It is very appropriate that he is here. This is his patch and APEC is his patch in particular. So it's appropriate that he is here, but we also know of the demands that are made upon senior politicians at this time. So, we are very pleased that he is here.

When he looks at the agenda, and goes through all the considerations that have been before us, yesterday and today, from greenhouse gases, to demography, to pandemics, to foreign exchange, to investment patterns. You name it, it's been covered in this major conference and we are very pleased Minister that you are here. I'm going to call for you to come and address us. Thank you very much, indeed.

**THE HON ALEXANDER DOWNER MP** – Well thanks to you very much, ladies and gentlemen, particularly those of you who have come from very far afield around the APEC community. It's good to have you here with us tonight.

I want to commend Alan Oxley, my old friend and one-time workmate, the Chairman of the Australian APEC Study Centre, for the work that he has done. He put this together. I thank also the Australian Institute for International Affairs, CEDA and the various sponsors, Microsoft and the Department of Foreign Affairs and Trade. We have our Ambassador for APEC, David Spencer here tonight, a very distinguished diplomat and a very good bloke. So, ladies and gentlemen it is a pleasure for me, to come along and say a few words tonight about APEC and to tell you a little bit about how I see it.

First, let me just begin with Hugh Morgan and Alan Oxley. Hugh Morgan went to the same school that I went to, although this will come as a surprise to some of you, not at the same time. And Alan Oxley; the two of us, many years ago, in the early 1980s, made up what was called the North-South unit in the Department of Foreign Affairs, what is now called the Department of Foreign Affairs and Trade.

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This unit was, then, our Department's contribution to the New International Economic Order and initiatives like the common fund. I wonder how many of you remember those experiments with Socialism. Now Alan was a diehard Labor man. And I was a diehard Liberal man. The odd thing was, that although, for some reason or another, we couldn't agree, on party politics, we certainly agreed about this agenda, that we were tasked with looking after.

He was the boss, I was his flunkie. This was a crazy agenda and we didn't like it. And, how we used to sit around and complain, about the Fraser Government promoting the New International Economic Order. Des Moore was a First Assistant Secretary in Treasury, or something at that time. Your department, or your then Secretary, ranted against the New International Economic Order.

Now, you wonder why I revived that little bit of history here. It's not simply that a few of us, in this room, have been around a very long time and have had these experiences. It's to remind you that there have been some very bad ideas promoted, in terms of international economic relations, and they have been promoted in relatively recent times.

The beauty of APEC is, when APEC finally came to fruition in 1989, driven very much by the Australian and the Korean governments, it was the beginning of what, essentially, is a very good idea; a good idea in promoting economic liberalisation and trade liberalisation, which- of course- is the key to prosperity.

We take the view in the Australian Government, and it's a statement of the obvious, I think, that there never was a country that became poor by opening up its markets. By having property rights and tradable property rights, and rule of law protecting those property rights, in a free market, there was never a country, or an economy, that became poor as a result of that. Yet, there have been many economies that never opened up, that never had a proper system of property rights, and that remain poor; or – by closing down on property rights – closing the economy, as you have seen in Zimbabwe in recent times, have become poor.

So, APEC's basic philosophy has been one of economic liberalism, of market-based solutions, of growing trade between countries of the APEC region. And, it's a statement of the obvious today, that there is a consensus, certainly in this country, largely a consensus about these things, not perhaps around the world. But, we shouldn't take it for granted, going back 25 years there were some very different ideas that were being promoted and they were pretty bad ideas.

We, I think, can claim that APEC has achieved a great deal; and achieved a great deal at different levels. First of all, when you look at the statistics of what has happened in the APEC region, since 1989, they are pretty impressive. Now, there are nearly

3 billion people who live in the APEC economies. If you take the period from 1988 until 2006, and this won't make a headline in a newspaper, poverty has actually halved in those APEC economies. That, I think, is an extraordinary thing.

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I don't know about you, but I'm an enormous admirer of Bono and Sir Robert Geldof, and others, who have hearts of gold, in promoting reduction of poverty. What is impressive is that the great improvements, in dealing with the problem of poverty, have essentially been in the APEC region. And, in the APEC region, you have seen this model of economic liberalism, which has proved to be so very effective.

You have seen incomes per person, in APEC, more than doubling, since 1988. That, I think, is very impressive. Those income levels have doubled because of investment barriers falling and the average applied tariff levels plunging from 17% in 1989, to around 5.5% today.

Now let's not over-claim for APEC. It is not, of course, just because of APEC, that this has happened. There are all sorts of reasons why this has happened and many of you are familiar with them. But what is important, is that APEC itself has, very much, driven a lot of those initiatives. It has, if you like, created the norm. It has created political momentum for what needs to be achieved. I think it's an extraordinary thing that APEC has done and it deserves a lot more credit than it gets for its role in those achievements.

I have been the Foreign Minister for over 11 years now, so I have been to a commensurate number of APEC ministerial meetings and summits, and the interesting thing about APEC is that it has taken on a political entity as well. Where there have been crises to deal with in the region, what has been impressive is the way that APEC has, at least partially, come to address those crises.

We can think back over a number of crises: first of all, I think in chronological order, we go back to Auckland in 1999, the APEC summit there. This was a summit that coincided with the period between the announcement of the result of the ballot in East Timor and the insertion of a United Nations peacekeeping force there. Because there was an APEC meeting, the leaders of the region were all together in Auckland. I think it was September 1999.

The leaders were, inter alia, able to talk about this issue of East Timor and what we were going to do about it. The Indonesian representative, by the way, was not the then President of Indonesia, Habib, but the then Finance Minister. But, in any case, Indonesia was represented at a very senior level. What subsequently ensued, the insertion of the United Nations peacekeeping force, interestingly enough had its catalyst in that APEC meeting, there in Auckland. It was a bit of a coincidence, but the fact of the leaders coming together in the Asia Pacific, meant that there was more of an opportunity to address an urgent political issue, than would otherwise have been the case.

I move on to 2001-2002, when we were all looking for ways to improve our counter-terrorism capabilities, in the wake of the events of what is sometimes known as 9/11. That was the time when Foreign Ministers came to have (which I am very much in favour of) a bigger role in APEC than had perhaps traditionally been the case. With many countries, there is great rivalry between the trade ministries and the foreign ministries. Trade

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ministers have jealously guarded their prerogatives in relation to APEC in many countries and tried to either deliberately or, perhaps not so deliberately, play down the role of Foreign Ministers in what was essentially an economic investment and trade organisation.

It's a bit different with Australia, because we have a Department of Foreign Affairs and Trade, we have an amalgamated department. But, it's not surprising, that when we have to deal with regional issues of great concern, then inevitably in those circumstances, other ministries, in particular Foreign Ministers, come into play. The fact that Foreign Ministers were coming together, as well as trade ministers and the leaders, at APEC meetings, meant that agenda items that were a front-of-the-mind concern to leaders of the region were going to be discussed in APEC.

Counterterrorism was one and I think that APEC has been important. It has not been of course the only institution, by any stretch of the imagination, which has dealt with this issue in the region. But it has been important in taking forward the broader agenda of cooperation in counterterrorism in the region.

Finally, another example of that is dealing with regional pandemics; dealing, for example, with avian flu. APEC initiatives were taken in the wake of the avian flu epidemic, and provisions were put in place amongst APEC economies to counter any outbreak of avian flu that might affect human beings. APEC has played a very important role as a catalyst in dealing with those problems.

Some people say: "Well APEC is stretching its mandate a bit here, it should really only be dealing with economic issues." We make the argument, because we and I'll come back to this later, have a very ambitious view of APEC: "Well, things like terrorism (and we produced a paper on the economic impact of terrorism and counterterrorism measures within the APEC region), and avian flu as well, these have enormous implications for the economies of the region".

I don't know if anyone is here from Hong Kong, but, for example, the avian flu outbreak in Hong Kong had, admittedly a rather short-term, but a significant economic impact on Hong Kong. So, these things do have an economic significance. Therefore, for those who are the purists, who believe that APEC should only talk about economic issues, these issues are appropriate to be debated within APEC. So, APEC doesn't, perhaps, make the headlines that we might wish it to make, but APEC makes progress, and makes significant progress, in addressing the issues of the Asia Pacific region, issues that the region needs to confront.

Now, what does that do for the future of APEC and where is APEC going to go? Well, it seems to me that there are several discussions you need to have about that. First is this: That some people here in Australia say, and I think that this is said in other parts of the region as well, that APEC is not what it once was. That we had the Bogor Declaration, back in the days of President Suharto, who hosted the Bogor Meeting. That was when APEC had a bit of vision. Now, all you get out of APEC is a photograph of the leaders in sort of curious shirts. Actually, I think that the photographs are a little unfortunate, let me

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tell you. I have a rather radical view that we may be better off in hosting APEC, in not having the leaders dress up. It might be better for them to do something else. Maybe we should take APEC a lot more seriously than that and not leave an enduring image.

Now this actually, by the way, is a serious point and our APEC Ambassador is listening to this; I really mean this as a serious point. I don't think, in terms of the public image of APEC, the enduring image should be your leader dressing up in various unusual shirts, I don't think that's a good idea. I know, our own Prime Minister always feels uncomfortable about dressing up in shirts at the APEC summit, because that is the enduring image. So, making a few jokes about it is to remind you that there is a serious problem with this idea, at the end of an APEC meeting.

I think, you know, the truth is, that when you think about APEC today, you must think about it in the context of the evolution of the Asia-Pacific community. Is there an emerging Asian community, not perhaps of the kind that we have seen in Europe, the European Community, or now the European Union, but is there some emerging concept of an Asian Community, and where does APEC fit into that?

I think the reality is that you have four important institutions in Asia. We start with the foundation institution that is ASEAN. That is, now, the 10 countries of South East Asia. But that is not going to make up an Asian Community, because it excludes the North Asian countries. Then there is ASEAN plus three, China, Korea and Japan added to ASEAN; and then, on top of that, there is the East Asia Summit. It's, really, ASEAN plus six- the ASEAN plus three group, plus Australia, New Zealand and India. And then, on top of that, if you could build it up in that way, there is APEC, which brings in three countries of North America – the USA, Canada and Mexico – Chile, Peru, also of course Russia, and so the list goes on.

So, which of these institutions is going to be the leading institution, in terms of an Asian Community? Are these institutions going to compete with each other? Is ASEAN plus three competing with the East Asia Summit, which is competing with APEC? I think, in many respects, we should look upon APEC as the leading one of these institutions, because it is the most inclusive and because this is an institution, if you like, that reflects the reality of power and economics in the Asia Pacific region.

To exclude the United States, might be politically correct for some people. They might be pleased to do that, because it plays into some aspect of their domestic politics. You might not like President Bush or whatever it happens to be. The truth is that the United States has an enormous role to play in Asia – an enormous role. It is, to use a phrase, that was enormously popular in the 1980s, the “balancing wheel” of East Asian security.

The United States obviously has a massive impact on the East Asian economy. You know, people talk about the growing economic power of China, but take the United States out of the equation, and that would leave a very big hole in the Chinese economy. So, the United States plays a massive role in the region. I think, to have countries like Canada

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and Mexico, that is important and appropriate and the other countries help to build this whole concept of APEC – an institution that is inclusive, which reflects the – as I said – political as well as the economic realities of the region, rather than a narrower architecture.

So, we very much take the view in Australia, that APEC has the potential to be, if you like, the leading regional institution, which can help develop the notion of an Asian or Asia-Pacific community. The second thing that I would say about the future is that there has been growing discussion in APEC about whether we are going one day to have a Free Trade Area of the Asia Pacific, built around the APEC economies. It's my view that this would be very hard to achieve. It's a very great ambition and people who pursue this goal are very ambitious. But, we wouldn't want to turn our backs on this, as an ambition that is worthwhile. Why do I say that? I say it because I know that we have a former Deputy Director-General of the WTO here this evening. I spotted him, over there, in the earlier part of my speech, and I think the Doha Round, the WTO talks, are very much in the balance.

I'm not very optimistic that we are going to see any breakthrough before the Trade Promotion authority expires in the United States, in the middle of this year. Maybe I'm wrong. Maybe there will be a sudden breakthrough, and obviously the work is being put in to achieve that at the moment, but I'm not very optimistic about it. I think that, if the WTO round, the Doha Round, is less than successful, if we don't get an early breakthrough, then momentum towards a Free Trade Area in the Asia-Pacific will tend to grow. This isn't something that is going to happen at the APEC Summit in Sydney in September this year. But, it's important to have it on the agenda, because it does remind people, that even if their view is, that we should not move towards greater trade liberalisation, there is a case in the Asia Pacific region to do so.

There are all sorts of political problems with this idea, sensitivities in the United States about joining a Free Trade Area which includes China and what that will mean. Sensitivities in China, sensitivities in Japan and Korea about agriculture, and I understand all of that. But, it seems to me that this particular vision, of creating a Free Trade Area in the world's most dynamic economic zone, is something that should remain on the agenda, should continue to be discussed, and should, by its very existence as an issue, continue to place a bit of pressure on the WTO. Hopefully it will remind those who are part of the negotiations for a successful Doha Round, that a global Free Trade Area is better than a regional Free Trade Area. But, if you're never going to get a global Free Trade Area, then a regional Free Trade Area is better than protectionism.

Finally, I suppose, and I gather this from the discussion that we have been having at our table this evening, you have been talking in the last day or two about the issue of climate change. And, this, of course, is very much a "front of mind" political issue in Australia, as it is in all developed countries and in many developing countries. I certainly agree with the proposition that APEC can make a contribution to the climate-change agenda. We would like to feel that at this year's APEC Summit in Sydney, climate-change will not just

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be an important agenda item, but that we may be able to achieve some practical outcomes – practical outcomes that win the consensus of the APEC economies.

Now, to be realistic about this, there is a diversity of views among the APEC economies. There are some that think very warmly, if that is the right word, of the Kyoto Protocol. They see that as an important step towards dealing with the problem of climate-change, and believe if you sign the Kyoto Protocol, the climate will change. Personally, I take a bit of persuasion, but that's just because I'm a rational kind of a person and I like to look at the facts.

Secondly, I think you have to face up to the fact that, within the APEC group, there are economies, and it's really a Kyoto point again, that believe in setting CO<sub>2</sub> emission targets, by particular dates. Some of them, of course, are just aspirational targets: which is code for "a political stunt". An aspirational target is not a real target at all. But, some are real targets. In some economies, governments believe in specific targets and trying to achieve those targets.

Quite a lot are, like us, exploring the issue of emissions trading and some are totally opposed to those things. Some economies in APEC are totally opposed to setting CO<sub>2</sub> targets and totally opposed to emissions targeting; and I'm not just talking about the United States. There are a number of other economies. Having said all of that, it seems to me that it might be possible, at the APEC Summit, or between now and the APEC Summit in September, to draw together some of the threads of agreement within the APEC economies, about climate change. We might be able to produce quite a positive statement on that issue.

I think it's fair to say that all of the economies in APEC believe that there is such a thing as climate change, that there is global warming taking place and all these economies – whatever you yourselves may think individually – think that governments should be doing something about this. They debate what they should be doing. It seems to me that they all agree, not just on having reliable energy supplies, but they all agree there needs to be a commitment to greater efficiency in energy use.

The fact that they all agree on that, gives you a basis, for some kind of successful negotiation in the context of APEC. I'm hopeful that there will be a positive response amongst the APEC economies, to our initiatives for stopping deforestation and promoting reforestation, because that's an enormous issue within APEC. You obviously appreciate the implications that this has for CO<sub>2</sub> emissions and carbon capture. So, it seems to me that there is a basis for some quite successful agreement, building on those areas where there is not widespread disagreement in APEC.

The other thing to say about APEC and climate change is that it incorporates five of the six countries that are parties to what is called "AP6"- the Asia-Pacific Partnership on Clean Energy and Climate. As a matter of fact, I think that this is, of all the multinational, multilateral initiatives addressing climate change, the lowest profile but most effective. It is about developing CO<sub>2</sub> abatement-friendly technologies and ensuring that those

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technologies are not only developed, but transferred around the AP6 area. There are a large number of projects, within the context of AP6 that are now being undertaken, as AP6 gradually gets underway. AP6 is a practical approach. It's not about taking political stances and postures. It's a practical approach to finding solutions to the CO2 emissions issue.

As I've said, five of its members are APEC economies. India is not in AP6. Turning to APEC more broadly, perhaps they could look at what AP6 is achieving. I can't say that APEC economies in general will necessarily join AP6 – I don't think that's likely to happen. However, APEC economies can take from AP6 some of the ideas of how this issue of climate change can be addressed in practical ways. That could be very constructive.

The last point that I wanted to make, is a point about membership. You, probably, have been discussing this as well. There is quite a lot of media commentary about this issue. This year APEC will consider whether to end the moratorium on new membership and look at new members, or to continue with that moratorium. This is, I think, going to be quite a contentious issue.

There are quite a number of economies – I think that there are about 12, which have applied for membership of APEC, either directly or indirectly, and there is a question about whether it would be wise to expand APEC by that many. I think that there would be a view that is far too many additional economies to add to APEC. Therefore, if you weren't going to expand APEC by such a large number, what economies that had applied to join would you include?

There's obviously a lot of sympathy for the idea of bringing India into APEC. If you brought India in, would you have to bring in a Latin-American country like Colombia, and would you have to bring in one of the ASEAN countries like, say, Cambodia? So, there are big questions there; and, if you thought that I was going to answer those questions tonight, I'm not going to. I am just saying something about them, so that you know that this is certainly very much in our minds and it's an issue that will need to be managed.

Well, again, thank you very much for having me here tonight. This is the second speech this week that I have made on APEC. I think that by the time I get to the end of the year, I will have made 102 speeches on APEC, but I think that's a good thing.

We, in Australia, have been enormously committed to building our relationships with our own region, going right back to the end of the Second World War. In fact, you can go back even further than that, to the time when Sir John Latham was the Minister for External Affairs in the 1930s. APEC has been a wonderful way to do that, since its foundation in 1989. We are very proud to be hosting APEC this year, and we are very optimistic that the APEC meetings, and the APEC Summit, will be very successful. So, thank you very much.

Mr Hugh Morgan AC – Alan Oxley has sort of been the circus ringmaster for this enterprise, and it is only appropriate that he should come up and, I think, thank the Minister. So, Alan, could you please come and do your bit?

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**MR ALAN OXLEY** – Well Minister, 11 years as Minister and it shows – positively. I mean. APEC has only been around for 17 years. You have been there for 11 and a key part of the process. I actually think that, if you keep going, you might end up like that famous Secretary Romulo, who is the longest serving Foreign Minister ever, from the Philippines.

You might notice, up here, that there is a big screen, with nothing running. At APEC conferences, it's normally customary for people who host the conference to do their normal cultural thing. Of course, in Asia, they like to sing. Most Australians freeze, as our Filipino and Korean colleagues know. Unlike other Australians, you have quite a famous songster performance. But, we are not going to let you do that tonight, out of respect for the rest of us, so that we don't have to freeze up. As a measure of what a successful Foreign Minister he has become, he has broken the Australian mould, and has become very Asian in that respect.

You were kind enough to refer to our own associations together. What we did after we worked together was quite interesting. I worked for a Chief of Staff and for a Victorian Government, which became one of the most disastrous Keynesian experimenters and significantly increased debt at the wrong time to do that. You worked for the most protectionist Prime Minister we probably ever had. And, after that, we both became very renowned free-traders. So, things aren't all bad.

Now, you're from South Australia and I'm sort of pleased, that you did not propose that South Australia might become the 21st member of APEC. I've got a couple of things, here, to give you. Alex runs a consultative forum, your Foreign Affairs Council, and I have the privilege of being a member of that. Hugh is also a member and we travel around the country, pretty much where the Foreign Minister is. Sometimes, we have to travel to the north of Adelaide, to the Adelaide Hills, which is a wine area, where, of course, the wine is very good. But, it's not as good, Minister, as Victorian pinot, which is our gift to you tonight, plus a small publication on APEC. So, thank you very much for entertaining us tonight. We're very grateful that you've given us the time. Thank you.



*The Hon Alexander Downer MP  
Minister for Foreign Affairs,  
Government of Australia*