

The Hon Simon Crean MP
AUSTRALIAN MINISTER FOR TRADE

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Driving APEC Harder

Opening of the RMIT University APEC Study Centre, Melbourne

Introduction

It's a pleasure to be here for the opening of the APEC Study Centre.

It's good to see the Centre find a new home here at RMIT. I congratulate both parties on the partnership they have struck to locate and support the Centre here.

The establishment of Study Centres in each APEC member economy's higher education sector was agreed by Leaders at the 1993 Summit in the United States.

Study Centres are important institutions of outreach to broader communities. They raise awareness of the importance of economic development and broader relations in the Asia Pacific region and they strengthen links between academic, government and private sectors on these matters.

This centre in Melbourne has a crucial role in conducting research and pushing the boundaries of knowledge about the APEC region.

In particular, the worldwide recession is throwing up huge new challenges, especially in the key area of trade finance for the 21 APEC economies.

There is much work for this centre to do as APEC continues to develop.

APEC is a forum that continues to evolve but I firmly believe APEC can do much more.

The Australian Government driving APEC

The Australian Government has a long history of ownership and involvement in APEC.

It was an initiative of the Hawke-Keating Government and member economies now account for 53 per cent of global GDP.

The Hawke Government got APEC up and running at a meeting of ministers in 1989 in Canberra and in 1993 the Keating Government expanded the concept to include an annual Leaders' Summit.

APEC has evolved to become the pre-eminent economic forum in our region, bringing together Ministers and Leaders of 21 Asia-Pacific economies, including many of our major trading partners: the US, China, Japan, Korea and most of South East Asia.

Today the Australian Government is re-invigorating our approach to APEC.

This demonstrated by our commitment stemming from Australia hosting APEC in 2007.

Last year we assisted Peru which hosted APEC for the first time and it was highly successful and helped place focus on priorities for APEC 2009.

The Australian Government has also taken the initiative to meet regularly at Ministerial level with the next three chairs of APEC - Singapore, Japan, US.

All four of us are original founding members and I took the initiative to establish this forum to capitalise on the strategic opportunities presented by such a line up of APEC hosts.

APEC and the global recession

Today, as the world faces a global recession, APEC's work to accelerate regional economic integration, intensify structural economic reforms, and its support for a prompt, ambitious conclusion to the WTO Doha Round show the valuable contribution that APEC can make towards recovery.

Trade is not to blame for the worldwide recession but it can be part of the solution.

2009 has been a year of bleak global economic forecasts from the World Bank, the IMF and the World Trade Organization.

The global economy is expected to contract for the first time since World War II. Last week the IMF predicted that global trade would shrink by 11 per cent this year and revised down its forecast for global growth this year to negative 1.3 per cent.

And just two days ago it was revealed the US economy is contracted in the March quarter by an annual rate of more than 6 per cent annually and US exports in the quarter sank by 30 per cent compared to the previous quarter.

Individual businesses, entire sectors and whole economies are starting to feel the pinch across the developed and developing world.

And as each country is faced by the spectre of growing unemployment and falling productivity we have, unfortunately, heard increasing calls for protectionism.

The APEC forum and its goals of trade liberalisation and regional integration are more important than ever.

The Australian Government is continuing to be innovative and conclusive about the involving architecture for the region.

The Australian Government will not be sidetracked or distracted from the goals of APEC.

APEC is a primary forum but we are working on different fronts. This includes Prime Minister Kevin Rudd's plan for a new Asia Pacific Community giving a new strategic and security focus for the region which has met with significant regional interest.

APEC in 2009 and Beyond

This year the host of APEC Singapore has identified upgrading logistics as crucial to greater regional integration. The Australian Government is fully supportive of this initiative and Transport Minister Anthony Albanese recently met APEC Transport Ministers in Manila to discuss ways to improve regional movement of people and goods.

These are important times for APEC and 2010 could be a watershed year.

In 2010 we have the important question whether APEC should be expanded beyond 21 economies with the end of the moratorium on membership.

Developed economies in APEC have also committed themselves to the Bogor Goals of free and open trade and investment in the region by 2010.

Beyond this, in 2011, the United States will host the APEC meetings and I strongly welcome the renewed commitment from the Obama Administration to the Asia Pacific region.

Trade Liberalisation

Of course one of the founding principles of APEC is multilateral trade liberalisation.

The work APEC does to facilitate the movement of business men and women, goods, capital and services across Asia Pacific borders fosters an environment of business and consumer confidence and export competitiveness.

In 1993 the Uruguay Round of trade talks was stalled and Paul Keating saw a role for APEC in getting the talks back on track.

The United States then hosted the first APEC Leaders Summit which recognised the open multilateral trading system as the foundation of economic growth and committed APEC economies to lead the way in concluding the Uruguay Round.

The Round was concluded the following year. In Indonesia in 1994, APEC Leaders then adopted the Bogor Goals of free and open trade and investment in the Asia-Pacific region.

Despite the gloom of the recession, there are still promising signs for trade liberalisation.

Last November in Peru, I announced Australia's participation in the Trans Pacific Partnership Initiative.

The initial parties to the TPP negotiation are likely to be Brunei, Chile, New Zealand, Singapore, Australia, Peru, the United States and Vietnam. All eight nations are members of APEC and a significant sub-grouping of the 21 member economies.

Earlier this year, I travelled to Thailand to sign the ASEAN-Australia-New Zealand Free Trade Agreement which is often abbreviated to AANZFTA.

AANZFTA is the largest FTA Australia has ever signed and the most comprehensive FTA that the ASEAN region has entered into. It is important to note that 9 out of the 12 AANZFTA signatories are also members of APEC.

AANZFTA covers a region that is home to 600 million people and has an annual GDP of A\$3.1 trillion.

It will provide a strong platform and legal framework for our economic engagement with the region for years to come and has enormous potential to increase job opportunities for Australian workers and to deliver new openings across the board for Australian exporters.

AANZFTA is a significant achievement but we're not stopping there. The Government is looking at other opportunities in our region to drive reform that is supportive of the multilateral system.

For example we have resumed bilateral negotiations with Malaysia and with Indonesia agreed on negotiations for a comprehensive FTA.

The Government is also working hard to progress the in-built agendas of our existing bilateral FTAs with Singapore and Thailand. All four of these ASEAN countries we are working with on the bilateral level are also APEC member economies.

Further, we have unfrozen FTA negotiations with our largest trading partner, China, we are engaged with Japan and have agreed to commence FTA negotiations with Korea this year.

Access to Trade Finance

I was very pleased the recent G20 Leaders Summit in London renewed its commitment to concluding the Doha Development Round.

When the round is successfully completed it will deliver US \$150 billion a year in savings from lower global tariffs.

This statistic is often repeated by my good friend Pascal Lamy who this week was re-appointed as the Director-General of the World Trade Organization.

The successful conclusion of the Round would be a great boost to international confidence and international trade in the midst of a global downturn.

While there are positive signs for trade liberalisation, the effects of the recession on trade finance will need to be monitored to ensure the impacts on exports are minimised.

Trade finance is the lifeblood of global trade.

The G20 also made a major commitment to supporting global trade finance with a commitment of up to US \$250 billion.

The Australian Government fully supports these global measures but we are also focusing on the Asia Pacific and measures that can assist - especially some of the developing nations in Asia.

The Australian Government is doing its bit as is supporting the Asian Development Bank and countries in the region, such as Indonesia.

At the regional level, Australia's Export Finance and Investment Corporation (EFIC) is working with other export credit agencies who are members of the Asian Ex-Im Bank Forum to broaden the reinsurance network in the region. This was an initiative that was originally proposed by Japan.

Australia also is looking to establish a process for information-sharing and co-operation in the region in order to provide effective financial support.

Trade finance is a global phenomena and it impacts differently on developing and developed economies.

Here in Australia we are monitoring closely access to trade finance for Australian exporters.

Although the Australian economy and financial sector is holding up well, we are taking action so that we will be prepared for any deterioration in conditions.

I am aware there could be an emerging problem of accessing trade finance for Australian small and medium sized exporters.

The RBA has noted that the availability of credit to business has tightened over recent months. Lending statistics now show that growth in loans has slowed from 15 per cent in July 2008 to 6 per cent in February 2009.

The Australian Government is concerned with the potential for tightening of credit markets, including the recent evidence that banks could be restricting short-term trade finance.

Australian SMEs that are trying to access new markets often struggle to get liquidity during normal times let alone during a recession.

The problem for these smaller companies is they have not got a profile in the foreign country, so the banks don't know them, and they may not get finance here in Australia because they have not got the bricks and mortar to use as collateral.

This could be a significant market gap as far as trade finance is concerned.

We need to understand much better on the domestic and regional level how we can deal with this market gap. At the moment there is a lack of information - a knowledge gap.

Part of the reason for the information deficit is the constraint on banks around the world to divulge commercial-in-confidence information on how much they lend.

Therefore the estimates on the global shortage of trade finance ranges between US\$100 billion and US \$300 billion.

On the issue of trade finance, I have spoken to my department and office about further work we can do in this area.

In the same way that IMF has had to adapt to the changing fiscal position of developing countries with the recession so must we acknowledge the changed circumstances for trade finance.

EFIC has a key role to play here. EFIC can assist smaller Australian companies that are experiencing difficulty in gaining access to trade finance.

On another level, the Government is considering how EFIC may also have a role to play helping SME exporters expand through investing off-shore. This would require legislative changes to allow EFIC expanded powers to assist Australian exporters into new markets, but we need to be aware of emerging challenges.

Overseas investment is the new form of trade.

Increasingly people are investing offshore to take advantage of global supply chains and to get closer to markets.

It is not just liberalisation of investment that we have got to encourage but also the international and regional architecture that are crucial to investment decisions. This is necessary as the rules and regulations that impact investment are often "behind the border" issues.

We need to find a better way of understanding the importance of investment in the new trade framework.

Conclusion

To close, I want to pose a challenge to those in this room and in particular to the APEC Study Centre here at RMIT.

I have identified trade finance as one area where there is a lack of detailed knowledge, especially for the Asia Pacific region.

But more broadly in the 21st century we need new ways to measure trade - not just in the traditional way in terms of volume - but also the value-added dimension of trade.

Trade is not just about exports it is about value-adding and investments and the question I pose today is how we find a better way to measure that dynamic.

More specifically, we need to understand much better the multiplier impact of trade. We know trade is a stimulus but the question is to what extent it is a stimulus.

The G20 Leaders have put this issue firmly on the agenda and our task is to try and define the impact.

More accurate up-to-date information on trade is crucial and is part of the reason why the Australian Government is committed to this APEC study centre.

APEC is the most dynamic region in the world.

The goal now is to drive forward - despite the worldwide recession - to deliver trade liberalisation and regional integration that will ultimately deliver jobs and higher living standards across the APEC region that covers 40 per cent of world's population and accounts for nearly 70 per cent of Australia's total trade in goods and services.

The Australian Government strongly believes APEC can pursue these goals. We're committed to driving APEC and will continue to shape its thinking and direction.

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Media Inquiries: Departmental Media Liaison 02 6261 1555