



**THE HON DR CRAIG EMERSON MP**  
MINISTER FOR TRADE

**Keynote Address**

**Crawford School public forum**

**Asia, the G20 and Global and Regional Architecture**

**Australian National University  
Canberra**

**19 August 2011**

We're used to the United States being an anchor for global economic order.

And European integration being a model of what a commitment to democracy and rules-based order can achieve, even in the face of awful history.

Now both of these giants are struggling.

However, amid this economic uncertainty, there remains one clear certainty: Australia is beautifully placed in the Asian region in the Asian Century.

Asian markets take two-thirds of Australia's goods and services.

China and India, two of the world's fastest growing economies, take almost twice the amount of Australian exports as Europe and the US combined.

But this is no time for complacency.

To cement Asia as a driver of the global economy we need to strive to streamline our regional production networks.

This means reducing the costs of investing and doing business in each other's countries.

To keep growing trade and investment flows depends in part on domestic reforms by governments to reduce unnecessary businesses regulation, to provide a safe and efficient financial system and to provide a high level of investor certainty.

This also depends on effective international architecture.

That is, the ability of regional and global groupings such as the G20, the East Asia Summit, and the Asia-Pacific Economic Cooperation forums to enable countries to work together to reduce the costs of doing business across borders.

Get this right and people living in Australia, the region and across the world can produce more and enjoy higher standards of living.

I know these issues will be well canvassed through this forum over the course of the day, and that they are intimately known to all the people in this room.

But I'd like to set out some of the dimensions of the change we're experiencing, and talk about the importance of the G20 and other regional institutions in managing the transition.

For 40 years various Asian economies have industrialised and opened their markets.

In more recent decades regional and global institutions have emerged to support deeper integration across borders.

This has delivered a huge productivity pay-off.

Over the decade to 2010 China's productivity grew by more than 10 per cent each year. India's annual productivity growth rate was nearly 5 per cent.

Compare this to the OECD, which averaged about 2 per cent over the same period. Australia's averaged just 1.3 per cent.

As a result, economic growth in India, China and the rest of emerging Asia exceeded 7 per cent per year. This was more than four times the US growth rate.

The International Monetary Fund expects this trend to continue, with emerging Asian economies forecast to keep growing at more than 8 per cent this year and next.

By some measures, China will overtake the US as the biggest economy in 2016 and India is due to overtake Japan this year.

This has seen the G7, which accounted for two-thirds of global output a decade ago, now making up less than half.

The sheer magnitude of China's growth prospects has drawn in record investment flows.

In 1990, China was the destination of about only 1.7 per cent of global direct investment.

By 2010, the Chinese share of global direct investment inflows had quintupled to over 8 per cent.

And it goes the other way as well.

As it accumulates more wealth, Asia is moving away from being an importer of capital, to being a source of funds for investment elsewhere in the world.

China provided 5 per cent of global direct investment outflows last year – more than 10 times its share two decades ago.

A lot of that investment is going into developing countries elsewhere in the world. Some has made its way to Australia.

As Asia's industrialisation has gathered pace, the rise of the living standards of Australians has increasingly depended on our ability to embed ourselves in the region.

At first the relationship was largely one of a resource-rich nation providing the minerals and energy to build infrastructure and power new cities.

But as incomes rise and the social welfare net in China improves, we know that China's expanding middle classes will start to afford sophisticated services and protein rich foods such as beef and lamb.

I've just returned from leading a trade mission to China, which we called Australia-China 2.0.

Nearly 100 businesspeople joined us on the trade mission, which visited Guangzhou, Changsha, Wuhan, Chengdu, Chongqing and Shanghai to explore new opportunities for Australian exports and investment, particularly in services industries.

Every day during the eight-day trip, I watched and listened as Australian and Chinese businessmen in these so-called second-tier cities came together to share plans and dreams.

Several memoranda of understanding were signed.

One Australian fund manager announced a joint venture while we were there, and another Australian company unveiled a new production plant.

They were all examples of new and potential business opportunities that would never have existed but for the ability of companies from different countries to co-operate across borders.

This is why regional and global architecture exists. It's why Government has an obligation to work on making it stronger.

Australia is helping drive the APEC vision of a seamless regional economy, with open markets for trade and investment

APEC has already driven much-needed structural reform.

And it has a long history of promoting open trade and investment.

Look at how much deeper economic integration in our region has become.

Since APEC was established just over two decades ago, Asia's intraregional trade has roughly tripled as a proportion of global GDP.

This shows how well we've worked together as a region.

The ASEAN grouping is another example of a great regional success story.

It has played its part in developing a region which is now marked by peace, prosperity and increasing economic integration.

ASEAN accounts for 15 per cent of Australia's two-way trade, totalling over A\$80 billion in 2010.

Over the past 20 years, ASEAN's share of world exports has increased by two-thirds.

ASEAN now has FTAs with Australia, New Zealand, India, Japan, Korea and China.

The ASEAN-Australia-New Zealand Free Trade Agreement covers a combined economy of some A\$3.5 trillion, and is the largest FTA Australia has entered into.

And more recently the ASEAN grouping spawned the East Asia Summit, with a much wider regional membership.

Its economic agenda is focussed on inclusive regional integration, and the bringing-together of myriad FTAs around the region.

More integration and cooperation will provide greater economic prosperity for countries in the region; a region which is now the world's most dynamic.

Australia is well-positioned to benefit from this.

Nine of Australia's 10 biggest trading partners are in the EAS.

Over half the foreign direct investment inflows to developing Asia are sourced from within Asia. Intra-regional trade accounts for over 50 per cent of Asia's trade.

But the EAS, through its political security agenda, has a much broader and deeper reach within our own region; where Australia's national interests are most deeply engaged.

It will comprise all the key players of our region, and cooperate on the full range of political, economic and security challenges we face, underpinning both our security and our prosperity.

With the recent addition of the United States and Russia, the EAS meets Australia's long-standing desire for a forum with the right mandate, membership and level of engagement to be able to deal with the region's most pressing problems.

And we're seeing greater cooperation between China, Japan and all EAS members to the next steps in regional economic integration.

Future trade deals are important, too, which is why we're pursuing the Trans-Pacific Partnership.

The importance of the TPP, now under negotiation, is widely recognised.

It will deliver closer economic integration in our region and can provide a pathway to a free-trade area of the Asia Pacific.

Current TPP negotiating partners are Australia, Brunei, Chile, Malaysia, New Zealand, Peru, Singapore, the US, and Vietnam.

Australia's trade and investment relationship with current TPP negotiating partners is significant - they account for more than a fifth of Australia's total trade.

Taken together, these institutions offer many opportunities for better outcomes across our region.

And they also act as incubation tanks for exploring ideas, developing positions and setting priorities within the region, to take for broader development through global forums.

For Australia the most important of the global leadership forum formed in recent years was the G20.

Its creation, in response to the global financial crisis in 2008, was in large part recognition of the shifting of global economic power to Asia – as well as other emerging and developing economies outside our region.

Through Kevin Rudd, Australia strongly drove the elevation of the G20 at the Leaders' level – because we recognised how important it was that we have a body that involved all the key players, not just the big players of the past.

Its broader representation critically includes Australia and five influential Asian countries – China, Japan, India, Indonesia and South Korea.

Other global institutions with an even broader membership attend G20 meetings, including the United Nations, the World Bank, the International Monetary Fund and the World Trade Organisation.

It is the overarching economic institution for our times, and offers Asia the best prospects for driving its vision of global economic reform to a broader audience.

Already, the G20 has proven its worth.

In 2008, it proved the critical mechanism for global action.

The G20 was used to work towards stabilising global financial markets and then to coordinate extraordinary fiscal and monetary stimulus worth US\$5 trillion.

These actions headed off a depression and saved millions of jobs.

In 2009, it was again called upon to help with the global recovery - doing the groundwork for new growth rules and increased capital requirements.

In 2010 the G20 again delivered – with World Bank and IMF reform and efforts to get economies on the path to reducing their oversized deficits.

These efforts have been the first time, major advanced economies – such as the US and Europe – and major emerging economies – especially in Asia, but also from the Americas, Africa and elsewhere – have worked together in this way.

Achieving this level of coordination has been no small task, but the G20 has proved itself effective at steering us through the global recession.

Australia is confident it can continue to embody this spirit of cooperation into the future.

It will need too because it has some difficult policy challenges ahead.

Stronger, more balanced and sustainable economic growth across the globe – for rich and for poor, for advanced economies and for emerging economies, can only be realised through macro-economic policy coordination by all the major economies.

The G20 members will not solve these problems by themselves.

Sustainable, balanced growth and development needs complementary mechanisms of the G20, APEC and the EAS – among many others.

As Asia takes its new place nearer the centre of global economic gravity.

Bringing the G20 together with our regional efforts will deliver deeper economic integration and higher living standards.

We must work hard to develop more effective, representative and responsible global institutions.

And regional institutions that embody our shared destiny and desire for deeper economic integration.

With vigilance, governments can make sure our global and regional institutions continue working to improve people's lives.