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SPEECH

***“APEC – DELIVERING FOR THE REGION”***

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Until about a week ago, APEC, an Australian idea, had been the quiet achiever of regional economic integration.

Great strides had been made in improving the environment for doing business in the region, but this had come with little fanfare.

However, thanks to the American hosts and the cooperation of the 20 other member economies, Monday’s meeting in Honolulu may have plugged APEC into an amplifier as the region’s pre-eminent instrument of economic reform.

Properly managed, APEC could drive a new era of job-creating, prosperity-enhancing cooperation in a region that already generates 56 per cent of the world's GDP.

Why the sudden optimism? Well, for a start, let me qualify: Australia has never been pessimistic about APEC.

But now the message about the benefits of APEC membership is being broadcast loudly and clearly.

Since its inception in 1989, APEC has always represented for Australia a forum for ever-closer regional economic co-operation, and has helped drive open trade and investment between economies.

Between 1988 and 2009 average tariffs in APEC member economies fell from 16 to 6 per cent, with further reductions legislated in most countries.

Behind-the-borders chokepoints are also being tackled.

Australia is helping to drive APEC's work program to implement supply-chain action plans for member economies.

These plans set out how to improve logistics and address different communications standards between economies.

Under them, Australia is leading work towards better collaboration between industry and government to protect submarine telecommunications cables, improve logistics regulation, and improve the safety of heavy road vehicle transport.

Last year we introduced an online tool, the STAR database, to help service providers identify and access new export markets in other APEC economies.

The database already covers 11 economies and five services areas: financial; mining and energy; professional; telecommunications; and transport and logistics.

Next year Australia will work with other countries to expand this database to cover all APEC members, and take in education, distribution and ICT services industries.

Australia has provided \$3 million to help run two APEC workshops on structural reform; and to continue supporting that work next year

And APEC's work on regulatory best practice will deliver benefits to business by easing the burden of unnecessary trade rule impediments.

One of APEC's most conspicuous reforms has been the APEC Business Travel Card, which is wildly popular in the regional business community.

This is because it removes the need for visas and expedites airport transit procedures.

The Business Travel Card is making business travel within the APEC region almost as easy as it is within the European Union.

But the Honolulu meeting not only raised the decibel level of APEC Leaders' meetings; its decisions made headlines around the globe.

This is as it should be, because APEC has increased the pace of reform and with it, the impact it has on world affairs.

Two agreements lifted APEC's profile as a driver of reform: an agreement to reduce tariffs on environmental goods and services, and an agreement to stand still on protectionism through to 2015.

The first of these accords is a timely response to the fact that APEC economies have benefited enormously from their market-opening policies of the last 20 years.

In pursuing the Bogor goals, member economies have lowered their trade barriers unilaterally, confident in the knowledge that the other members were doing so too.

These market-opening policies have helped APEC to grow 50 per cent faster than Europe's economy over the last two decades.

This era of rapidly-rising prosperity has been achieved through both industrialisation and urbanisation, both processes demanding enormous amounts of energy.

That energy has been generated overwhelmingly by fossil fuels. Between 1990 and 2005 demand among APEC economies for oil and electricity grew by around two-thirds.

APEC's economic success has, therefore, come at an environmental cost: greatly increased carbon emissions contributing to dangerous climate change.

At Honolulu, APEC Leaders confronted this reality head-on. They agreed to a goal of reducing aggregate energy intensity in the APEC region by 45 per cent by 2035 compared with 2005 levels.

While this is a goal and not a commitment, so was the Bogor goal of free and open trade and investment by 2020 - which has amply proven its worth.

Australia took great heart from the energy-intensity goal, since just a week earlier the Gillard Government's Carbon Emissions Trading Scheme was passed into law.

Our critics continue to assert that Australia is going it alone on emissions trading.

They conveniently ignore New Zealand's scheme and those being developed or mooted for 10 American states, four Canadian provinces, five Chinese provinces and cities and 14 Korean provinces and cities.

It is true that reducing energy intensity will not, of itself, reduce carbon emissions relative to present annual levels.

But it will apply a brake to growth in those emissions.

To give early practical effect to the 45 per cent energy-intensity reduction goal, APEC reached a landmark agreement in Honolulu.

APEC Leaders, urged on vigorously by our US hosts, agreed to limit tariffs on environmental goods to 5 per cent or less by the end of 2015.

In doing so, APEC acknowledged the impediments to the free flow of environmental goods and services across APEC countries, while remedying and averting environmental damage associated with the region's success in achieving economic growth.

In the spirit of APEC, the consensus on limiting tariffs on environmental goods and services will facilitate the transition to a low-carbon future.

If Australia took heart from APEC's Honolulu initiatives on promoting environmentally sustainable growth, we were thrilled about the outcome on trade.

Prime Minister Gillard had urged the Commonwealth Heads of Government at their Perth meeting in late-October to recognise that the existing pathway to global trade liberalisation, through the Doha Round of negotiations, was hopelessly blocked, and that a new pathway needed to be found.

The new pathway would involve breaking the Doha agenda into manageable parts and bringing home agreements as they were reached, instead of trying to do this through one, elusive grand bargain.

CHOGM agreed, and in addition urged support for an anti-protectionist pledge at the forthcoming WTO Ministerial Conference.

Australia's Prime Minister then took her proposal to the G20 Meeting in Cannes.

Again, the leaders of the world's 20 largest economies candidly acknowledged that the Doha negotiations were deadlocked.

They agreed that a fresh approach was needed and, after much contemplation and negotiation, reaffirmed a standstill on protectionism through 2013.

At APEC, Australia's Prime Minister again urged this fresh approach which, with the support of the American hosts, was adopted.

But the APEC Leaders went further, reaffirming their pledge against protectionism through a standstill commitment that they extended until the end of 2015.

They also urged WTO Members to make an anti-protectionist pledge at the forthcoming Ministerial meeting in Geneva next month.

Again, the standstill through to 2015 is not legally binding - no APEC agreements ever are.

But it signals a willingness among APEC members - including the world's three largest economies - to resist rising protectionist pressures at home.

If APEC lifted its voice by several decibels at Honolulu, it shared the stage with a sub-grouping: members of the Trans-Pacific Partnership, or TPP.

Committed to further trade liberalisation, but frustrated by the impasses in the decade-long Doha Round, TPP members have been negotiating feverishly towards a sub-regional accord.

The TPP has an essential attribute that the Doha Round lacks: political momentum.

On the way to Honolulu, Japan's Prime Minister Noda formally announced his country's interest in joining the TPP.

Mexico did likewise in Honolulu. Canada, too, has expressed interest.

If all eventually joined, the TPP economies would be almost one-and-a-half times the size of the European Union, accounting for well over one-third of the world's GDP.

Meanwhile, at Honolulu, TPP Leaders made an historic commitment: to eliminate all tariffs over time.

Though the TPP is conceived as a 21st Century agreement - easing behind-the-border trade restrictions and liberalising trade in services and regional investment - cleaning out the 20th Century remnants of tariff barriers to trade in goods gives the TPP tangibility and free-trade standing.

Again, Australia had pressed for the commitment on tariff elimination and is delighted with the outcome.

Accompanying eventual tariff elimination would be the development of common rules of origin, lowering transactions costs between TPP members.

For those purists among us who would hope that the TPP doesn't lead to trade restrictions with non-members and wasteful trade diversion from more efficient to less efficient producers, the TPP is not meant to be an exclusive club.

As its membership expands over time, it would lead to APEC's ambition of a Free Trade Area of the Asia-Pacific.

APEC's future, therefore, is bright.

While those citizens of the Asia-Pacific who have gained jobs and incomes from APEC's market-opening policies may never know it, the Asia-Pacific Economic Community forum has helped liberate millions of the region's citizens from poverty.

APEC's achievements prove that market opening is not just dry economics for the benefit of large, multinational corporations; it is a great humanitarian endeavour and a fabulously successful one.