

Speaking Notes for

**David Spencer
Deputy Secretary and Ambassador for APEC
Department of Foreign Affairs and Trade**

**Address to 17th General Meeting of the
Pacific Economic Cooperation Council
Sydney**

APEC 2007 - The Challenges and Opportunities

1 May 2007

I have been asked this morning to talk to you about APEC 2007 - the challenges and opportunities.

Actually, I can sum it up in two sentences.

The **challenge** is to reinvigorate APEC as the pre-eminent forum for economic cooperation in the region and to set it on a new mid-term mission.

The **opportunity** arises from the fact that the annual host of APEC has considerable flexibility to determine the agenda, manage the meetings, and influence the outcomes.

But before elaborating, let me, on behalf of the Australian government; welcome all our overseas participants to this PECC meeting.

PECC has played a significant role in promoting economic cooperation in the Asia-Pacific region.

Along with the APEC Business Advisory Council, PECC is the only non-government official observer of APEC.

PECC had a major role in the creation of APEC and you have been at the forefront of working with APEC to promote cooperation and regional dialogue.

Australia is of course delighted to be hosting this year both APEC and your 17th Annual Meeting.

When you had your inaugural meeting in Canberra in 1980, there were 11 economies in attendance. Nine years later when APEC had its first meeting in Canberra, there were only 12 participating economies.

We in APEC were unsure in 1989 as to what lay ahead. Some of us had lofty visions of a Pacific OECD. Others were sceptical of setting up a new regional institution.

APEC has travelled a good distance 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.

I think we can look back with some pride at what we have achieved.

We stand out as the world's most dynamic region. We have benefited enormously from the growth in trade and investment, from the unprecedented changes in technology, transport and communications and the freer flow of people and capital across borders.

APEC has played an instrumental role in building cooperation within the region and facilitating the underlying trend towards greater economic integration. It has done this through sharing policy experiences, capacity building and technical assistance, developing best practices, drawing on international expertise, setting targets and agreeing on joint actions.

In providing a forum for cooperation, APEC has ameliorated the transition from the old tensions of the cold war, helped to build new confidences among old rivals, promoted open markets in the region, expanded its agenda to address new challenges, tackled issues pragmatically and helped smooth the region's economic power shifts.

Since APEC was first formed, there has been a dramatic improvement in economic prosperity. Among our population of 2.7 billion, the share of people in poverty has more than halved. Income per person has more than doubled.

We are a disparate group of economies. Our levels of development differ markedly. Our cultures and languages are different, as are our systems of government and political institutions and commercial enterprises. Our broad economic interests are similar but our immediate priorities often differ.

We are not a rules-based organisation or a negotiating forum so our achievements will not always be as visible but they are nevertheless real and substantive.

As a forum based on voluntarism, consensus and concerted unilateralism, APEC has some sui generis behavioural norms.

APEC Members have done well in the past couple of decades, but we face new challenges. From a changing paradigm of investment and trade, from the environmental and climatic impact of rapid economic development, from shifts in our demographics, from the emergence of a new sense of regional integration in East Asia, from the illegal movement of people, counterfeit products, drugs and weapons across borders. And from the increased risk of pandemics.

As this year's host of APEC, Australia feels a responsibility to do what we can to ensure that APEC can meet these challenges.

We think we have got off to a good start and we have high expectations for September when Leaders will meet here in Sydney.

Senior Officials have mapped out a set of priorities based, in large part, on instructions from APEC Leaders last year in Hanoi and begun to prepare the ground for the meetings of Ministers and Leaders. We have already hosted three Ministerial meetings - Mining in Perth, SME's in Hobart and Transport in Adelaide - and have put in train meetings of Energy Ministers in May, Trade Ministers in July and Finance Ministers in August.

We have established a sound working rapport with the APEC Business Advisory Council and many of us are working with our PECC colleagues in developing the agenda.

Australia's priorities for 2007 are APEC priorities. If I were to highlight six main objectives they would be as follows.

First, we want to do what we can to strengthen the multilateral trade system and to bring the Doha negotiations to a successful conclusion. APEC Members account for nearly half of global trade so they have a strong interest in having a reliable rules-based multilateral system

Some of you may think that the enthusiasm with which APEC governments have embraced bilateral free-trade agreements, indicates that we are turning our back on the MTS. This is incorrect. We are all firmly committed to the WTO. We believe the work we are doing on model FTA measures will help the multilateral system.

We are continuing with our work on trade facilitation. We have already made progress in reducing the government red-tape involved in business transactions and expect to agree in a few weeks on another raft of measures to reduce costs further by developing a Customs single window, protecting data privacy, food standards harmonisation and work to protect the internet from malicious software.

Second, we want to develop a coherent regional policy response to one of the major challenges now facing APEC members, namely the inter-related issue of energy security, the environment and climate change.

Prime Minister Howard has written to his counterparts foreshadowing his intention to put this issue at the top of the agenda for the Leaders retreat in Sydney.

APEC economies 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.

APEC economies are now actively engaged, individually and collectively, in a range of 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. Energy Ministers are scheduled to meet at the end of May to consider a number of efficiency, conservation and diversification initiatives. The recent meeting of Transport Ministers welcomed a proposal for work 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 and recently announced a Global Initiative on Forests and Climate to reduce deforestation.

The Sydney meeting represents an unprecedented opportunity for APEC Leaders to draw the various threads together in a way which will help shape the global agenda on these important issues in the years ahead.

Third, we want to submit to Leaders a practical plan for promoting further economic integration in the region.

Leaders asked in Hanoi last year for a report and directed that we look at an FTAAP as a long term prospect.

Strengthening regional economic integration has been a dominant theme of APEC's work since its inception.

We believe there are a variety of ways of promoting and facilitating further integration and will be putting forward recommendations in September. We are actively seeking PECC and ABAC input to this exercise.

Fourth, we want to encourage APEC members to focus as much energy on ways of reforming domestic economic policies as we have in the past in reducing barriers at the border.

Over the last 17 years, APEC has focussed mainly on the way in which the liberalisation and facilitation of trade and investment can help to promote economic growth and cooperation.

These are usually more visible and easier to deal with than other less transparent impediments to growth.

We have made considerable progress in reducing general levels of protection. Average tariffs have been cut by around two-thirds (16.5% - 5.5%) and now average only five percent across the APEC region.

We want to give equal attention to work on structural reform and behind-the-border issues, as we all know that inadequate or overly burdensome regulatory systems, lack of transparency, measures which inhibit domestic and foreign competition, insufficient investment in infrastructure and poor governance have all impeded growth as much as trade barriers.

All the empirical data suggest that over the longer term, economies that embark on these micro-reforms achieve greater macroeconomic stability, experience faster productivity growth and higher living standards and are more resilient to economic shocks.

Fifth, we want to press ahead with the work on the human security agenda.

We need a stable regional environment in which to encourage growth and development. Work on counter-terrorism, secure trade, pandemics and disaster preparedness demonstrates how APEC can provide the forum for regional responses to trans-national challenges.

Sixth, we want to strengthen APEC's institutional capacity to support its membership.

Over recent years APEC members have introduced a number of measures to become more efficient and results oriented. We have reduced 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 which is small and under-funded.

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

Australia has proposed a term-appointed Executive Director to replace the annual rotating ED which we have at present. This is designed to ensure more professional leadership and representation and greater continuity in the Secretariat's work. Frankly, we are bewildered that one or two Members are resisting.

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.

Conclusion

APEC has had its share of critics over the years. Some think it has grown too big and over-extended itself. Others think it should be doing more. Some think that it should stick to trade and investment whereas others suggest that we need to broaden our dialogue. Some suggest we should set a new goal of a Free-trade Area of the Asia-Pacific region whereas others suggest this would be unrealistic and possibly counter-productive.

Since its inception in 1989, APEC has played an instrumental role in building cooperation within the region.

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 change, to agree on ways of promoting regional economic integration, including through exploring the feasibility of 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.

We look forward to working with our colleagues in PECC and to the outcome of your discussions over the next two days.