



10

PRIME MINISTER

SPEECH BY THE PRIME MINISTER THE HON. JOHN HOWARD MP APEC ENERGY MINISTER S' MEETING SYDNEY TOWN HALL, 28 AUGUST 1996

Thank you very much Ian. To my Ministerial colleagues from other countries, to Stephen Baker, the Deputy Premier of South Australia, Your Excellencies, other distinguished guests, ladies and gentlemen.

This happens to be the first APEC ministerial meeting hosted since the change of Government in Australia in March of this year and it's a great opportunity for me tonight to say a few things very directly to such a cross section of the APEC community about the priorities of the new Liberal/National Party Government in Canberra. The way in which we embrace the ideals and the aspirations of APEC and also to put down a few practical thoughts about issues which are directly relevant to a meeting of APEC Energy Ministers.

I guess I don't need to remind any of you of the enormous potential of the collective economies of APEC. Comprising a half of the world's global production, they are forecast together to grow about a third faster than OECD economies between now and the year 2010. And all of us in our different ways are banking on this growth for greater prosperity for our people and greater opportunities for future generations, and whilst I remain very confident, as I know you are, that this can be achieved, none of us should become so obsessed and carried away with the APEC ideal as to take it for granted.

The first condition for continued growth is of course responsible domestic economic management and I can't help but briefly mentioning the action taken by my Government here in Australia to achieve significant fiscal consolidation in our recently delivered Budget. We propose over a period of two years to reduce the level of outlays by about 2 percentage points of gross domestic product to the lowest level that we've seen for about seven or eight years and along with the domestic regulatory reforms and freer labour market that my Government will introduce, fiscal consolidation will help make Australia more competitive.

Another key of course is market access for our exports. Exports have been vital to the high rates of economic growth achieved by East Asian countries. But keeping markets open is not something that can be taken for granted. My Government is committed to

pursuing better market access for our industries and primary producers. In this endeavour, we see APEC as playing a key role.

A third condition for continued growth -- especially in the developing and newly developed East Asian economies -- is the successful tackling of infrastructure constraints. The investments required in areas such as education, transport, communications, and energy are colossal. Over the next decade, East Asia's infrastructure investment requirements will be quite massive and financing this investment will put great pressure on capital markets.

Energy is the source of growth - or constraint to growth - that you are tackling at this meeting. East Asia's demand for energy is doubling every 12 years. Some US\$1.6 trillion in investment capital will be needed in the period immediately ahead to meet energy infrastructure needs. Energy is a major issue for my Government. We will soon be releasing a white paper on sustainable energy and we are committed to developing a sustainable and internationally competitive energy sector. A key element of our energy policy, and of our agenda for microeconomic reform generally, is reform of the electricity and gas industries. In cooperation with state and territory governments, we are establishing a national electricity market and free and fair trade in natural gas and free and fair trade in natural gas across state borders.

The benefits to Australia from competition and freer trade domestically in these vital industries will be substantial. Consumers will benefit from lower prices and higher quality service.

One cannot manage the staggering energy demands in the region without considering the consequences for the environment. None of us wants our region to face next century the appalling problems Russia and East Europe face today.

Climate change is a serious issue. It is a global problem and the solution will also have to be global. The costs of adjustment must also be distributed fairly evenly among developing economies as well as the developed ones. Australia is committed to meeting its obligations under the Climate Change Convention. We have a comprehensive national response to limit our domestic greenhouse gas emissions. Since 1991 the rate of growth in our emissions has fallen from 3.0 to 0.5 percent per annum, showing that with the right policies the environment can be protected and the economy still grow.

Under a cooperative programme called the Greenhouse Challenge industry has signed voluntary agreements aimed at lifting energy efficiency and encouraging commercial innovation such as investment in new co-generation plants.

Four companies -- BHP, ICI, CRA and Shell -- and three industry associations have already signed agreements covering 30 per cent of emissions from the Australian industrial sector. And next week we will be signing a further 10 industry agreements in sectors such as electricity, paper manufacture and finance.

Ladies and gentlemen, your meeting, the first of APEC energy ministers, demonstrates APEC's singular ability to bring together economies with diverse characteristics. In APEC, developed and developing members can work cooperatively on common

energy challenges. Energy exporters like Australia, Indonesia, Malaysia and Canada can cooperate with major importers like Japan, Korea and Chinese Taipei. China by 2020 will be the world's largest energy consumer.

The inter-dependence of APEC economies in energy is very high, particularly in coal and LNG. Australia exports around 80 per cent of its coal to Japan and other APEC members. Over 90 per cent of Japan's LNG imports and over 80 per cent of its coal imports are sourced within APEC. The vast bulk of the private sector capital required to finance energy infrastructure development in APEC economies will come from within the confines of APEC itself.

Dealing with environmental issues is another area where APEC has a role. A good example is the APEC project involving public sectors and industry from Japan, the United States, Australia and China, for using otherwise wasted methane from coal mines in China. APEC can foster more public sector-business joint ventures of this sort, involving cooperation between developed and developing members.

For my own part, I am looking forward to attending in the Philippines in November this year's meeting of APEC leaders and there we shall reaffirm our commitment to achieving the Bogor and Osaka goals of free trade and investment in the APEC region by 2010/2020. Reinforcing the political commitment to liberalisation as a force for overall economic growth is one of APEC's great strengths. All of the economists tell us that trade liberalisation in any country is good for economic growth in that country no matter what other countries do. But all governments, and the Ministers among us tonight will know this only too well, know the political pressures against liberalisation which can entail significant social dislocation in the short term. Even business can sometimes speak with two voices on the opening up of markets. APEC can help make the benefits of liberalisation clearer by balancing the pain of domestic structural adjustment against the gains from better access to export markets. And the greater the number of economies that liberalise in concert, the greater the advantage to each. It is essential, therefore, that at the end of the day, even though we do not look for precise mathematical reciprocity, that all APEC economies make a contribution to the overall liberalisation package.

I would hope therefore that by November, leaders will be able to take stock of material progress in freer trade and investment on the part of all APEC economies. Each economy has to submit this year an individual action plan setting out how it will fulfil its commitment to free trade and investment. They must contain concrete and substantial market opening measures.

Business, I think, needs to be more involved in evaluating APEC's progress on trade liberalisation. I know Australia's representatives on the APEC Business Advisory Council, two of whom are here tonight, are keen to do this. It would be a sensible role for the APEC Business Advisory Council to provide next year an independent report card setting out business views on the individual action plans.

APEC also has a role to play in keeping trade liberalisation moving at the global level. We all stand to gain from the deals struck in the Uruguay Round, and making sure that all Round commitments are thoroughly implemented is the first task. But none of us

would suggest that the Uruguay Round resolved all our market access problems. Much remains to be done.

It is an event of symbolic importance, indicating how much the world has changed, that the inaugural World Trade Organisation ministerial meeting should take place in our own region, in Singapore in December. This provides an opportunity to ensure that the multilateral trading system does not lag behind APEC.

APEC members have already made commitments that go well beyond the Uruguay Round. The WTO needs to match the ambition of APEC so that a new sense of purpose and dynamism is generated in global trade negotiations. This in turn would help prevent the world from fragmenting into regional trading arrangements, many of which do not measure up to APEC's standards of openness.

Trade and investment liberalisation also has an important role to play in meeting the region's energy challenges. I know that at this meeting you have under consideration a number of principles to guide energy policies in the region. A key principle is the progressive opening up of trade and investment in the energy sector to enhance efficient energy production, distribution and consumption. Energy fuels growth. For this reason, reform and liberalisation of energy sectors in APEC should lead, and not await, reform of other sectors.

It ought to be possible for APEC economies to achieve free trade in primary energy by, for example, the year 2000. Moreover, in order to ensure that domestic energy markets send the right price signals, APEC could set an early date for the elimination of subsidies on primary energy production and consumption. I invite you to seriously consider such a proposition. Based on regional trends, it is not unrealistic to imagine APEC achieving free trade and investment in primary energy well before APEC's 2010/2020 target dates.

I mentioned earlier the huge sums required to finance energy infrastructure needs. If the necessary private sector capital is to be mobilised, energy markets will have to be opened up and the lower costs flowing from quickly liberalising the energy sector would enhance growth in all APEC economies

Ladies and gentlemen, may I conclude my remarks by again, on behalf of my Government very warmly welcoming all of you here to the beautiful city of Sydney. I want to thank my colleague, Senator Warwick Parer, the Minister responsible for hosting this very important gathering because it is an opportunity for the new Government, the different Government of Australia, to affirm its very strong commitment to the economic and political involvement of Australia in the activities of our region, and to reaffirm the very strong commitment to the Bogor declaration, our very strong commitment to the aspirations of trade liberalisation and our very genuine desire to work in constructive partnership with all of the economies of the APEC region.

It is a remarkable concept that brings together diverse cultures, diverse economies and a diversity of nations and a diversity of peoples. Personally, I look forward very much over the next two or three months to establishing as the head of the new Government of Australia personal contact with the leaders of so many of the APEC countries.

Quite deliberately, my first substantial visits overseas will be to the leaders of countries in the APEC region. That symbolises the continuing commitment of the Government of Australia to the involvement by this nation in the economic and political affairs of the fastest growing region in the world, a region to which we hope we can add value and a region to which I believe all the member countries of APEC add enormous value. Ladies and gentlemen, thank you very much for being our guests here in Sydney. I hope you take back to your countries very happy and positive recollections of our nation and I hope all of you return again soon. Thank you very much.