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**Parliamentary Secretary for Trade**  
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Acknowledgments

Millions of Australians in the last few weeks have been reminded of the special – some would say – sacred bonds between Australia and the United States.

We have seen ‘The Pacific’ television series chronicle the enormous sacrifice made by the United States during World War II to help keep Australia safe from invasion and the world free from tyranny.

Australians will never forget the loss of life, and treasure that America was willing to endure in defence of freedom.

Our relationship has such a remarkable depth because of our shared history.

Our shared democratic values. Our shared language. Our shared optimism – whatever challenges we stare down from time to time – our best days are yet to come.

When you share so much in common, real friendship develops. Between nations, just as in life. Particularly in the challenging times of our age. And so it is between America and Australia.

Our story starts today with Thomas Edison.

At the age of 31, Thomas Edison announced he was going to produce a system for reliable, usable electric light. It was 1878, and it was an audacious claim, but it was a claim made by a man who had already a lifetime’s worth of inventions to his name.

Throughout the industrial revolution, the lasting contributors of the age were not actors, musicians or sportspeople – they were the inventors. They were the people to whom we can credit the innovations that have resulted in such a high standard of living in the industrialised world today.

Edison was not a wizard because he possessed an innate ability for invention that nobody had before him or has since. His unique ability was to straddle two divides – the world of the single minded inventor and the world of industry, embracing many of the concepts that came to define the practices of most global companies during the 20th century.

I've focused on this at this stage of my speech because I strongly believe one of the traits our two countries share is the great innovative spirit of our people. Time and again, they have successfully straddled the divide between the world of ideas and inventions and the commercial world.

It's an innovative spirit that is alive and well in Australia, albeit in a much under-recognised way.

This is important because I believe that spirit will enable Australia and the US to forge even greater commercial links in the 21st Century through the development of critical new technologies.

In fact, promoting Australia's capacity for innovation is one of the objectives behind the new brand campaign 'Australia Unlimited', which was launched just last week, right here in Sydney.

The new brand aims to highlight to the world Australia's outstanding achievements in innovation, including its 11 Nobel Prize winners, the invention of WiFi technology, the bionic ear, Google Maps, and a vaccine for cervical cancer.

Jointly, much like Edison, the peoples of our two nations have the capacity to transform innovative ideas into practical, commercial applications.

This applies especially in the search for new clean technologies to mitigate climate change and to address the challenge of energy scarcity.

During the Cold War, we worried most about the threat of nuclear war and the arms race.

But the shift of world economic power to Asia, the threat of climate change, and the rise of global Islamic fundamentalism have weakened the certainties of the post-Cold War period.

Now nations like the US and Australia worry more about threats to the sustainability of the market economy, such as global warming, water and food security and energy scarcity.

What this means is simple: breakthroughs in innovation on the scale of Edison's or Alexander Graham Bell's will be critical to solving these global problems and creating an efficient green economy.

The emergence of market giants like China and India has also created new dynamics in the world economy, which the recent Global Financial Crisis has only served to highlight.

China's economic rise, based on its extraordinary growth rates over the last two decades, has lifted hundreds of millions out of poverty and is creating a new economic powerhouse in our region.

China and India have now joined the ranks of the other major Asian powers that have been key to Australia's economic prosperity – as both trading partners and investors – over the last five decades, Japan and the ROK.

Australia sees China's growing presence in the global economy as an opportunity, but not one that would let us forget the US is still our biggest commercial trade and investment partner.

Indeed, I endorse President Obama's recent comments in an interview with the ABC's *7:30 Report*, where he said it was in the interests of both Australia and the US for China to be successful.

As one of the world's leading suppliers of natural resources, Australia –like the US - has benefited greatly from China and India's extraordinary economic growth.

China is now Australia's largest two-way trading partner, and the US's second largest two-way market after Canada, and India is our fastest-growing major export market.

Yet it should not be forgotten that, as the President noted, China's standard of living and output per capita is where America's was in 1910.

So the US is likely to remain the world's biggest economy for a very long time, and this fact will be of profound importance for our relationship in the period after the GFC.

### **Close Allies and Trading Partners**

For Australia, as these shifts in global economic weight continue, close engagement with the United States and building on our alliance is as important as ever.

It is the strategic stability of the Asia-Pacific region in recent decades that has allowed it to prosper.

And that stability has been – and continues to be – underwritten by the United States.

Going forward, it will be as important as ever to have the United States closely engaged in our region.

That is one of the key ideas behind the Asia-Pacific community that Prime Minister Rudd has proposed.

Global economic and strategic weight is shifting to the Asia-Pacific region – building on the earlier success of Japan and then the Asian Tigers, it is now driven by the growth of China and India.

As this shift goes on we will need to have mechanisms that allow all of the major players – the nations of ASEAN, China, Japan, Korea, India, Russia and the United

States as well as Australia and New Zealand – to come together in one forum to discuss the shared economic and political challenges we face.

Such a forum simply must include the United States as the major strategic player in the region and the still dominant global and regional economic force that it is.

In both a strategic but also in a broader commercial sense, Australia and the US have remained steadfast allies throughout these dramatic developments in global political economy.

Australia and the US are both Pacific economies, and we are plugged into Asia's growing prosperity in a way that we believe will enhance rather than diminish our ties in the years ahead.

The US is Australia's fifth largest export market, while Australia is the US's 15th biggest. Two way trade in 2008-09 was A\$53 billion, including A\$5.8 billion in services exports, our biggest services market.

The US annually exports about US\$25 billion in merchandise goods to Australia and this market is growing strongly, as well, the US is a major destination for Australian investment, and vice versa.

As we all know, US investment has facilitated the development of Australia's industrial base in several sectors, including automobiles and, more recently, information and communications technology.

By the end of 2008, US investors had invested A\$418.4 billion into the Australian market, of which A\$95.4 billion was direct investment.

Australian investors had also invested A\$394.6 billion into the US market.

Yet the China boom and the gloom and uncertainty of the GFC have distracted many from the great benefits of Australia's longstanding trade and investment links to the US.

Notwithstanding this, the US remains Australia's most important commercial relationship and will continue to be so.

Over the next forty years, for example, the population of the US is expected to increase by more than 30 per cent, or over 100 million people, thereby adding to the size of what is already the world's largest consumer market.

As the world's largest economy, with a GDP of about US\$14.8 trillion, the US will remain a source of inspiration for our business people and a reservoir of commercial ideas and business practices.

In my view the scope and size of the relationship is set to increase over the next few years for a very important reason—our shared values and outlook when it comes to solving political and economic problems such as climate change or financial instability.

### **Shared Values and Solutions, New Opportunities**

Apart from the strength of existing trade and investment ties, our nations are facing similar fundamental problems which relate directly to the sustainability of our market economies.

The significance of these shared values emerged during the GFC. It is well known that the global financial crisis brought about the worst recession since the Great Depression.

The depth of the downturn in output in the US and the extent of the credit crisis required a major response--and it was forthcoming from the newly elected Obama Administration.

The American Recovery and Reinvestment Act, the Troubled Asset Relief Program, or TARP, and the Federal Reserve's innovative monetary policy helped pull the US economy out of the crisis.

The lessons of the GFC for economic management –for fiscal and monetary policy, as well as financial regulation—are stark as is a much broader lesson about the role of government.

Government had a critical role in helping the US economy recover, and in maintaining that recovery.

This was something we observed in Australia during the GFC with our own stimulus package, low interest rates and bank guarantees.

This lesson on the important role of government, however, has had an important effect on other areas of policymaking which affect long term growth.

- On health care, the US Congress has passed historic legislation that will extend coverage to more than 30 million formerly uninsured, low-income Americans.
- On financial regulation, the US is putting together a package of laws which will attempt to stabilise the excesses of Wall Street and protect the consumers of Main Street.
- On trade, President Obama has announced a target of doubling US exports in the next five years.
- On energy security, the US is exploring a greater role for clean energies, such as gas, wind, solar, geothermal, even nuclear as well as alternative transportation fuels.
- And in the international arena of finance and economics, the US is supporting moves to coordinate the policies of nations through bodies such as the G20 and the IMF.

By embracing new challenges deemed necessary to secure US prosperity, the Obama Administration has not just re-energised the direction of America's economy and the role of government.

It has also alerted investors and exporters here in Australia and elsewhere to the emerging new growth opportunities in the US market.

### **New Growth Sectors**

The Obama Administration's bold new directions in policy are redefining the way in which the US economy is managed and reconfiguring its future sources of growth.

As a close ally and longstanding trading partner of Australia's, the Government welcomes this.

Many of these sources of growth, we expect, will lie in the green economy and a world of carbon trading as well as carbon capture and storage and clean energies.

What this means is that America's new direction after the GFC will create opportunities to Australian exporters and investors.

For US investors, as well, Australia's similar approach to these problems will also offer them greater commercial scope for investment, and we welcome that.

There are five areas I would pinpoint for new growth opportunities:

- Energy
- Climate Change and Sustainability
- Financial Services
- R&D and Innovation
- Health Care and Medical Technology

### **New Opportunities**

The shift of economic power to Asia over the past few years has brought Australia's role as an energy supplier to new prominence, and in important ways, we are doing this in partnership with US companies.

For example, in a world worried about carbon emissions, liquefied natural gas represents a cleaner option than the use of oil for electricity generation.

The A\$43 billion Gorgon gas project in Western Australia, for example, represents the biggest resource project in the world and is expected to generate A\$300 billion in export earnings over its lifetime.

The development partners for Gorgon--Chevron, ExxonMobil and Shell--are participating in one of the world's great resource projects.

So Gorgon is a symbol of how the partnership between Australia and the US can use the growth of economies in Asia for our mutual benefit.

In terms of the bilateral supply of natural resources, America has plans to build 30 nuclear reactors and Australian uranium supplies will help the US expand its nuclear power industry.

Gorgon will also be the world's largest CO<sub>2</sub> geological storage site, which reflects the fact that Australia is a global leader in its attempts to develop clean energies and lower carbon emissions.

The Australian Government has committed A\$5.1 billion to its Clean Energy Initiative and created a Global Carbon and Capture Storage Institute to generate cooperation on new developing technologies.

We have also set, by 2020, a renewable energy target of 20 per cent and a target range of reducing emissions by between 5 and 25 per cent.

The Government has also announced last week a A\$652 million renewable energy fund, which is part of the \$5.1 billion commitment, that will provide incentives for private sector investment in clean energy projects.

Australia's expertise in water management, and in clean energies such as solar power and wind power, offer great scope for partnerships between Australian and American companies.

America's desire to reduce its dependence on foreign oil by adopting alternatives, such as biofuels, and its need to conserve its water matches Australia's policy and experience in these areas.

The crash on Wall Street and new legislation before Congress to re-regulate America's financial services sector represents another "match" that could allow Australian financial services firms play a larger role in the US market.

Australia is becoming a financial hub in the Asia Pacific for several reasons, including our economic stability, sound regulation, one of the largest pools of managed funds in Asia and great expertise in developing tailored financial products.

Australia was virtually alone in the advanced world in avoiding a recession during the GFC, an important consideration for foreign investors.

Like Australia's economy, our banking sector survived the GFC better than most and our financial services sector offers great investment opportunities to American firms interested in gaining a platform into the Asia Pacific.

Another area where new policies have created opportunities is the new health care bill passed by the US Congress.

US expenditure on health is expected to increase from US\$2.4 trillion to US\$4.4 trillion in 2018, making the US the biggest healthcare market in the world.

The US is already a huge market for Australian medical devices—earning about A\$500 million annually and with the expansion of health care coverage will come new trading and investment opportunities.

Technology and technological development have also been critical in our relationship.

The US market has traditionally been a supplier of new technologies and an arena to develop our own innovations into commercial products.

The US spends about about US\$350 billion a year on R&D, and it also provides critical venture capital and marketing capacity for new products.

Indeed, the US helps to fund Australia's own R&D efforts, with about 50 per cent of the CSIRO's intellectual property licensing revenues coming from the US.

In a practical sense, I'm reminded of what an Australian who spends a large part of their time in the US told me recently, that when walking in Hollywood, every second person they met on the street introduced themselves as an actor. When in Silicon Valley, every second person on the street introduced themselves as an app developer. It's global hubs of innovation like this that are unique to the US and drove the innovation that saw individuals like Bill Gates and Steve Jobs rise to international prominence.

## **Conclusion**

The US-Australia trading and investment relationship, across a whole range of industrial sectors and services, is beginning a new phase as a result of new policy challenges.

No more is this the case than in the critical challenges we face with the warming of the planet and energy scarcity.

Climate change and energy scarcity do pose serious challenges to our way of life and the planet's health if they remain unchecked.

But they are not insurmountable problems and solving them will not greatly damage our prosperity, rather they will add to it.

In fact, mitigating climate change will create a new cycle of wealth and a new green economy that will ease pressure on the planet and create jobs and wealth at the same time.

Australia is confident that in the aftermath of the GFC, the political and business leadership in the US has set out on the right path in a range of policy areas that are also of concern to us.

Like Australia, the US is facing up to the challenges which climate change and growing energy scarcity pose to the environment and the sustainability of the market system.

As two advanced and progressive nations, as allies and friends, Australia and the US are close partners in their endeavours.

Through trade and investment we can help create this new world of technology and green industry, to the benefit of our joint prosperity

Thank you.

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