



PRIME MINISTER

27 August 2007

**TRANSCRIPT OF THE PRIME MINISTER
THE HON JOHN HOWARD MP
ADDRESS TO THE LOWY INSTITUTE
SYDNEY**

EO&E.....

Thank you very much Frank for your very warm welcome and before I address the subject of my speech, can I say on behalf of many people what a wonderful contribution you personally have made to a greater understanding of foreign policy and strategic issues in Australia. It's yet another demonstration of the wonderful exemplar of Australian citizenship that you and your family represent Frank. I do welcome this opportunity to outline the Government's priorities for APEC. It is, the largest, in terms of clout if I can put it that way, by far international gathering that Australia has hosted in her history.

APEC economies account for more than half of global GDP and nearly half of world trade. And around 70 per cent of Australia's total trade is with the other 20 APEC economies. Eight of our top 10 trading partners are within APEC.

Shared prosperity in APEC helps underpin jobs, living standards and security for Australians. And as economic and political power moves inexorably from the Atlantic to the Pacific in the 21st Century, APEC will become even more important to our country.

Australia's role in the development of APEC is very well-known to all of you. And as well as showcasing Australia to the region, the Sydney meeting provides us with a fresh opportunity to shape APEC's agenda and ambitions as it approaches its 18th birthday.

But before turning to my specific objectives for APEC 2007, I'd like to touch very briefly on the broader question of APEC's role and its value in an uncertain world. There is a common view

that the only global institutions are the ones that matter and which are based on international treaties.

Yet to approach global politics from this singular frame of reference is in my view very mistaken. It also misunderstands the aspirations of many APEC economies. Especially in this region, more flexible, less legalistic processes are often better equipped for achieving concerted action on certain issues, at certain times.

There is no reason why different approaches cannot reinforce and complement each other. A good example is trade. Australia, like other countries, has a major interest in strong, multilateral rules in the World Trade Organisation. A good outcome from Doha is still our highest trade priority. But this does not mean we should ignore less structured forms of economic cooperation.

Indeed APEC has long been a useful forum for economies making voluntary undertakings, short of binding commitments. APEC provided a context for China to undertake important liberalisation in the 1990s, prior to its entry into the World Trade Organisation.

The sheer diversity of different economies in APEC means that it works best by not trying to turn itself into a rigid negotiating forum. We should avoid the mindset where ‘concessions’ have to be ‘bought’ with reciprocal commitments.

Equally, APEC should not limit itself to a narrow remit of issues. It works because of its capacity to evolve and orient itself to contemporary challenges as they emerge. Australia’s interest is in ensuring that APEC, as the only trans-Pacific regional forum, is able to engage on all the big global challenges of the day.

So what can we hope to achieve realistically at Sydney? Australia’s objectives fall under four main headings.

First, there is the traditional APEC agenda of trade and economic co-operation. We want to see renewed commitment to completing the Doha round negotiations of the WTO. Setbacks and sensitivities aside, Doha remains the last, best hope for reducing trade barriers worldwide and for lifting more people out of poverty.

We also want to explore what more can be done to enhance regional economic cooperation and integration. The option of a possible Free Trade Area of the Asia-Pacific will remain a live one, particularly while hopes for further global trade liberalisation are unfulfilled. We want APEC Leaders to look seriously at this proposal.

Ensuring sustained growth into the future also requires APEC economies to tackle so-called ‘behind-the-border’ barriers – the variety of domestic regulatory impediments to the effective functioning of markets. This year, and informed by our own experience with structural reform, Australia has brought this issue to the fore of APEC’s agenda.

Second, we want to further develop APEC's work on regional security challenges. Security is the oxygen of prosperity. APEC has shown in the past – including during the East Timor crisis in 1999 and in response to North Korea's nuclear brinkmanship in 2006 – that it can bring real political clout to regional security issues. APEC continues to respond to new and emerging threats. The focus this year includes developing appropriate prevention, preparedness and recovery strategies to deal with threats from terrorism, pandemics and natural disasters.

Third, the Sydney APEC meeting provides an unparalleled opportunity for Australia to elevate key bilateral relationships. President Vladimir Putin's visit is the first by a Russian President or head of government to Australia. Indeed the first of either a Russian or Soviet leader to Australia in the history of this country. Russia has emerged as a key player in key global energy markets. And I look forward to Australia and Russia signing a Nuclear Cooperation Agreement which will update our bilateral safeguards arrangements to facilitate the export of uranium.

Canada is an increasingly important partner on climate and energy and the war on terror. And given our shared political heritage, it is appropriate that the Prime Minister of Canada Stephen Harper address our Parliament. He will be the first Canadian Prime Minister to do so.

I of course look forward to welcoming the United States President George Bush on his second visit to Australia. We hope to finalise a bilateral action plan for civil nuclear energy cooperation, including on research and development, regulatory issues and skills and technical training. It will also be an opportunity for the two of us to have a detailed discussion on the latest developments in Iraq and Afghanistan and our discussion will take place on the eve of the presentation by General Petraeus to the American Congress of his latest assessment of the security and political position in Iraq.

Our strong and growing bilateral relationship with China will also be in the spotlight with the visit again to Australia of President Hu Jintao. I anticipate other substantial announcements from these major visits. And I will be having further bilateral meetings with leaders from North and South-east Asia, as well as a number of my Latin American counterparts.

Our fourth major objective, and where I'd like to focus my remarks today, is to make this meeting an important building block towards a very big goal – that of developing a truly international framework for realistically tackling climate change. In part through Australia's efforts, and in APEC, we can see now the outline of an emerging consensus of how best to tackle climate change – one that moves decisively away from the rigid, outdated and ineffective models of the past.

The biggest global political challenge on climate change is to build bridges between the industrialised world and developing countries which we know will account for the majority of future greenhouse gas emissions. The APEC region accounts for 60 per cent of the world's energy demand, and across the group demand is expected to double by 2030. It includes the three largest energy users in the world – China, the United States and the Russian Federation.

I believe APEC can help build consensus on a way forward that avoids the pitfalls of the Kyoto model. Kyoto divided the world into two groups, and required concerted action from only one of

them and it's highly prescriptive approach threatened to make that division permanent. In short, it was a recipe for a structurally flawed and ineffective global response to climate change, as Warwick McKibbin has consistently highlighted in his work for the Lowy Institute.

Let me illustrate it this way. APEC economies that do not, I repeat do not have obligations to limit their emissions under the Kyoto protocol account for almost half of GDP in APEC and at least 40 per cent of all greenhouse gas emissions. Even more important for future energy demand and emissions, these economies account for more than two thirds of GDP growth in the APEC region.

Such stark realities bring home the need for international action that addresses environmental challenges whilst also recognising the realities of energy demand and encouraging continued economic and social development. We should not deny developing APEC economies their aspirations. Indeed, economic growth and prosperity is the best means of tackling the very environmental issues that rich industrialised countries are also tackling. The key task in Sydney is to give political direction to the shape of a future framework for climate change action that is truly global. Australia's decision to put this on APEC's agenda this year means that, outside of EU processes, this will be the largest group of world leaders to focus on the issue for a long time.

In the period since I wrote to APEC Leaders in March, I have found genuine support across the region for using this opportunity to break new ground. Quite bold proposals from both Mr Abe of Japan and President Bush have also signalled this region's determination to be the source of ideas for future action. At APEC, we should strive to find agreement on principles for international action that genuinely address the problem, whilst also allowing countries such as China and Indonesia to continue to grow and prosper.

From Australia's perspective – and I can report encouraging reactions from APEC members – these principles include firstly comprehensiveness - all economies need to contribute in ways that are equitable and effective; secondly, flexibility and respect for national circumstance – different countries have different attributes and capacities; what works for Australia may not necessarily work for Thailand or Korea; thirdly, the importance of technological responses – zero and low emissions energy sources and technologies will play an essential role in any effective regime to reduce greenhouse gas emissions; and fourthly the importance of forests and land use – so-called 'sinks' for sequestering carbon will be a crucial component in a solution to climate change. That these principles seem axiomatic does not lessen their relevance to forthcoming negotiations on a post-2012 international framework.

The APEC Leaders meeting presents a unique opportunity for a diverse range of economies in the world's fastest growing and most dynamic region to put them firmly on the international agenda. Beyond agreement on principles, I would like to see APEC Leaders agree for the first time that a new international agreement should include an agreed long-term aspirational goal for reducing greenhouse gas emissions. I hope APEC Leaders can also agree on some practical measures that complement such a goal. Improving energy efficiency across the APEC region is an important way to reduce greenhouse gas emissions while maintaining economic competitiveness.

Likewise, we should aim to build deeper cooperation using the specialist knowledge of individual economies on low emissions energy technologies. This should take account of the reality of continued use of fossil fuels, as well as the potential of renewable energy sources and the proven contribution that can be made by nuclear power. Additionally, improving forestry and land use management practices offers substantial opportunities for sequestering substantial quantities of carbon dioxide from the atmosphere.

With agreed principles, a commitment to work towards a global aspirational emissions reductions goal, and concrete actions to address energy efficiency, technological solutions and carbon sinks, APEC could demonstrate real global leadership. A new APEC consensus would provide a political momentum to both the US-led initiative to bring together major economies later in September and to the United Nations Conference in Bali in December.

I am not pretending for a moment that achieving these outcomes in Sydney will be easy. Part of the challenge of APEC is its very diversity, in particular its span of large and small, and developed and developing economies with very different characteristics. But in that same diversity lies APEC's great strength, and the opportunity an APEC Sydney Declaration provides for giving the world clear direction as to where we want to head. I look forward to that challenge, and to the support of yourselves and from many for its realisation.

Can I conclude by saying that inevitably the focus of much media reporting over the days ahead will be on traffic dislocation and inconvenience to citizens. I think it is worth reminding ourselves and I may in the eyes of some of you be stating the obvious, but sometimes that is necessary. But security precautions of the type that we will see in Sydney next week are of course familiar experiences of countries that regularly host such gatherings. They are a consequence of two things and that is the violent propensity of many of the demonstrations that take place against such international gatherings and also of course the ever present threat of terrorist attacks which is a common feature of so much of the activities that take place around the world.

I think it is an opportunity for our country to place on display despite these inconveniences the extraordinary modernity sophistication and outward going character of our people. To me it would have been unthinkable for what I regard as the most beautiful big city in the world to pass up the opportunity of hosting such a significant group of world leaders. In every sense of the word, the leaders come from countries that represent the future. They do not represent all of Australia's experience because there are no representatives of European countries but they do bring together the leaders of countries which are now and increasingly in the future so indispensable to both the prosperity and the security of our people.

I therefore approach the meeting with a sense of enthusiasm and optimism and a belief that it is a splendid opportunity to communicate to the world the vibrancy, the sophistication and the achievement, but most importantly of all, the outward character and friendliness of the Australian people. Thank you.

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