

CANADA-AUSTRALIA ECONOMIC LINKS

FUTURE PROSPECTS, PROBLEMS AND OPPORTUNITIES

Speaking notes used by the High Commissioner at a breakfast hosted by

The Canadian Australian Chamber of Commerce

in Toronto

29 September 2009

It is a pleasure to once again have the opportunity to speak to members of the Chamber.

I would like once again to express my appreciation to Bob Onyschuk for his efforts to advance bilateral trade and investment. I'm also delighted that Rick Kohler has joined the Chamber as Special Advisor.

In my remarks today, I want to draw your attention to several recent trade policy developments and discuss the possible implications for Australia-Canada commercial links.

First, as you are all aware, earlier this year Canada and the European Union agreed to launch negotiations toward a comprehensive free trade agreement - - styled as the Comprehensive Economic and Trade Agreement. The first full negotiating round is expected to take place in October.

The launch of these negotiations clearly reflects a range of factors. Canada has long pursued such an agreement, but until this year it has been unsuccessful in persuading the EU to move forward.

Apart from the potential benefits from mutual market opening, the Canada-EU negotiations could also perhaps be seen as an effort by Canada to broaden and diversify its trade and investment options, as well as to strengthen its negotiating coin in current and future negotiations with its key economic partner, the US.

Both the Canadian Government and the European Commission have indicated that they intend the outcome from these negotiations to be an extensive agreement that liberalises trade in goods and services, provides a more positive environment for two-way investment, facilitates the movement of skilled labour, addresses technical barriers to trade and promotes regulatory cooperation.

These can be expected to be highly challenging negotiations. Both sides will need to develop new, tailor made approaches specifically for these negotiations.

In Canada's case, the breadth of these negotiations will require the involvement of the provinces and territories which have legal and regulatory competence in a number of important areas such as government procurement, the recognition of professional qualifications and standards and services trade.

The Canadian federal government has already indicated that representatives from the provincial and territorial governments will be closely involved in the negotiations. This is driving a process of federal-provincial/territorial cooperation and collaboration that is aimed at developing negotiating positions that Canada can bring to the table

with the EU, particularly in those areas where the EU has already signalled its interest, including services, investment, government procurement and standards.

The two-year timeframe that has been set by the Canadian Government for the conclusion of these negotiations seems quite ambitious to say the least, but it does underline the high level of political commitment to the process in Canada.

It is important to be clear about the potential outcome from these negotiations. If successful, they will result in Canada and the EU providing preferential treatment to one another - - or discriminatory treatment, depending on how you view such agreements.

This means that any new market access openings and regulatory changes negotiated as part of the deal will apply only to the parties to the agreement - - Canada and the EU - - and will not be available to others.

This has potentially significant implications for Australia's interests in the Canadian market. While the market is in many respects quite open, if a major trading partner has more favourable conditions for trade and investment, the playing field is no longer level.

Of particular interest is in those areas where Australia's recent performance in the Canadian market is strongest, specifically services and investment. Australia's services exports to Canada expanded at a trend rate of 8.6 per cent in decade to 2008, well above the global trend rate of Australia's services exports.

And Canadian direct investment in Australia has grown from A\$2 billion to over A\$10 billion over the period 2001-08. There are good reasons to believe that it will be from these areas where the future growth in the commercial relations will come.

Clearly, then, we need to ensure that we do as much as possible to ensure Australia remains its competitive edge in the Canadian market in terms of trade in goods and services as well as in the areas of investment and the movement of skilled labour.

The second major trade policy development of interest is the prospect of a new plurilateral - - multi-country - - free trade agreement in the Asia-Pacific region, known as the Trans-Pacific Partnership free trade agreement (TPP).

The TPP is an extension of an earlier agreement, the P4 comprising New Zealand, Chile, Singapore and Brunei. Australia has announced that it will join the TPP, as has the Government of Peru. Vietnam is interested in becoming an associate member. Of key importance is the position of the United States. The Administration has not yet made a formal announcement, but there are signs that it is interested in the TPP.

TPP ministers are currently discussing how to take the TPP forward, specifically focussing on preparing for a future launch of negotiations. A TPP-related announcement may take place at the APEC ministerial meeting later this year.

If the United States joins the TPP, it would seem likely that Canada would also seek to follow suit. Informal indications from the Canadian Government to date suggest that it has some interest in the TPP.

There are a number of issues that need to be settled before decisions are taken on the membership, but in general terms Australia sees merit in wider membership provided aspiring new members are willing to work toward a comprehensive agreement, with no a priori exclusions from the commitment to eliminate tariffs and other barriers to trade.

In this context, Australia has noted the position put forward by Canada in the EU negotiations that its supply managed industries are effectively non-negotiable. For a government that champions free trade, this position seems dissonant.

From Australia's viewpoint, we will continue to urge Canada to reform its supply management policies as its contribution to global trade liberalisation - - which is needed today more than ever - - and to enable it to play a full role in regional free trade efforts.

These developments suggest to me that the time is right to look at concrete ways in which to further develop the Australia-Canada trade and investment relationship, both to position ourselves as well as possible for the future, and in particular to maximise growth in our commercial links.

In the event that Canada joins the TPP in the future, there would seem to be value in Australia and Canada working together in advance on possible outcomes - - in the non-goods area - - that could ultimately become part of the overall TPP package.

Several areas seem to me to be prospective and worthy of further discussion and analysis.

Labour mobility: The mutual recognition of qualifications and labour mobility has emerged as an increasingly important element of this agenda. Part of the reason for its prominence is demographics. Between 2005 and 2050, the working-age population of developed economies will decline by 9 million.

The regime between Australia and Canada does not yet reflect these realities. A number of profession-level mutual recognition arrangements are in place but, despite the large number of similarities in the Australian and Canadian systems the processes remain complex.

With the prospect of Canada moving to a more liberalised and national approach to labour mobility as a result partly of its negotiations with the EU, it seems to me there may be value in Australia and Canada beginning a dialogue to explore the possible mutual benefits in cooperating on labour mobility.

Services trade and investment: This is a large area where there is in my view scope to do better to create new opportunities. Labour mobility is part of a potential package, but we should also look at impediments across the board that affect services trade, including such things as labour market testing, local content requirements and investment restrictions.

Given the prominence of these issues in the Canada-EU negotiations, we need to be alert to the potential for discriminatory arrangements that could have adverse implications for Australia's interests.

Education and research: Undergraduate links between Australia and Canada are strong and growing, but surprisingly the links are noticeable weaker in research and innovation. As both countries move to become knowledge-based economies, this is an area where we have much to gain from enhancing our linkages.

I see particular value in universities in both countries doing more to promote bilateral research-related linkages. There are a number of options, but I think a particularly effective one would involve the establishment of post-doctoral scholarships in universities in both countries that are branded in terms of Australia and Canada education and research links.

Clean technology: As two economies with relatively high per capita greenhouse gas emissions, and as we both move toward the introduction of emissions trading regimes, there is clearly much that Australia and Canada can do together to promote the development of low and zero emissions technology.

The Australia-initiated Global Carbon Capture and Storage Institute - -of which Canada is a member - - is an example of what kind of cooperation is achievable if governments take the lead and involve the corporate and research communities. In essence, the challenge is to find technological breakthroughs that will enable emissions to be reduced without compromising economic growth.

Not only is this critically important for our two countries, it is also central to developing countries which are understandably focussed heavily on poverty alleviation and growth, above all on ensuring secure long term energy supplies.

As major energy producers, we are already working together in many areas. I would argue that, in the shadow of the post-Kyoto international climate change regime, we should be expanding our cooperation, actively seeking out opportunities to link our clean tech programs and bring together our research and development communities and institutions to achieve economies of scale that will generate both commercial benefits as well as wider global benefits.

I look forward to continuing to discuss these issues with the Chamber.

Thank you.