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Good morning ladies and gentlemen, distinguished guests.

It is a pleasure to be in Los Angeles to promote Australia to Americans, and to talk about the future of our partnership that has been growing over more than 70 years.

What I want to emphasise this morning is how the strength of our partnership is a world-beating asset as we look to the burgeoning economies of Asia – and the huge opportunities that presents us.

As Australia's Trade and Investment Minister, my job is clear – to promote the creation of an economic and trade environment conducive to the pro-growth agenda of the new Australian Government.

How are we doing that?

Our overarching economic objective is to remove from centre stage unsustainable government spending, endless rule changes and damaging new taxes, and replace that with robust growth of the private sector.

We have four clear principles that guide our attempt to achieve this, namely:

To live within our means – to restore Budget surpluses.

To see substantial deregulation and business cost reduction.

To restore a culture of personal responsibility; and

To back our strengths as a country.

We want open markets, greater trade liberalisation, less red tape and more investment.

We are determined to encourage private sector-led growth in Australia. That means getting taxes down, reducing regulation and raising productivity.

We are matching our words with actions – legislation introduced into our Parliament, from our first week in government, embodied this new approach – reducing business costs, scrapping economically damaging taxes, such as the carbon and **mining** taxes, and deregulating to reduce compliance and approval burdens.

Australia is under new management and open for business.

To grow faster, we must attract foreign investment, and I can assure you that Australia recognises the huge significance of foreign investment.

We are a country built on foreign investment – from the time of European settlement to today, and the US is by a long way our largest investment partner.

But now we are also serious investors in our own right. If you're looking for a dollar, we are good people to know. Ever since the Howard Government signed our Free Trade Agreement with the US, our mutual investment has increased exponentially. That's good for you, because in our pension funds we have the fourth largest sum of money globally – \$1.7 Trillion. That will likely grow over the next fifteen years to over \$5 Trillion. That part of it invested overseas will be heavily invested here, into the United States.

To illustrate the effect of that – at the present time, the US invests 10 times more in Australia – directly and indirectly – than you do in **China**. But we, as President Obama acknowledged recently, are now in your top 10, and we invest 20 times more in the US than we invest in **China**.

Our intent to promote private sector investment as a driver for growth is demonstrated by the fact that since our government came to office, some three and a half months ago, federal environmental approvals have been given to \$400 **billion** worth of projects, some of which were stalled for up to six years.

Most of these projects will require foreign funding.

A primary driver for this interest in investing in Australia is that we possess well established links with Asia – where growth has been phenomenal.

There are now some 600 **million** people in the middle class, from India through to **China**, and all the countries in between. In 15-20 years, this figure is expected to rise to over 3 **billion** people.

Many focus on **China** in terms of this explosion of the middle class.

Yet Indonesia, our closest neighbour, has a population in excess of 250 **million**, a middle class growing rapidly above 50 **million** people, and a GDP that will exceed Germany within a decade. To give another example, if Vietnam was a country within the European Community it would be the biggest by population.

This offers profound opportunities for the US and Australia across the Asia Pacific.

Backing our strengths, playing it smart

The 2014 Austrade Benchmark Report, which I am releasing this morning, showcases Australia's strong competitive position. The report considers the key investor indicators of growth, innovation, talent, location and business, and compares Australia's position with other countries.

Looking at these five key areas, demonstrates that Australia possesses strong economic fundamentals and is a great place to do business.

In growth – we're the only OECD country without a recession in 22 years.

In innovation – we're one of the top countries in the world in terms of the number of publications in highly influential journals per capita.

Talent – almost 40 per cent of our workforce holds tertiary qualifications and we rank third in the world in terms of the number of universities in the Top 100.

Location – Our place in the Asia time zone is a significant advantage. Ten of Australia's top twelve goods and services export markets are in the Asia region.

And in terms of the ease of doing business – We are ranked #3 in the world ranking of economic freedom, behind only the island states of **Hong Kong** and Singapore.

These are just a select few facts from the Austrade Benchmark report.

For today's discussion though – I want to draw your particular attention to the matter of location.

Our links to Asia encompass not just geographic proximity, or inter-government and business ties, but also strong cultural and educational links to Asia.

Ten per cent of our population speaks an Asian language at home. The fact that so many of Asia's Government and business elite studied in Australia via the Colombo Plan since the early 1950's is a huge 'soft power' edge. At the time of the plan's inception, much of Asia was still ruled by colonial powers. This shows great prescience by Australians, imagining a different Asia. Our new "reverse

Colombo Plan” will make this a two-way flow, with many thousands of Australia's best and brightest students studying in Asian universities.

As the shortest long-haul flight destination from **China** or South-East Asia, we are welcoming rapidly increasing numbers of middle-class Asian tourists.

Our position within the same time zone as Asia enables businesses to easily collaborate on projects, and for Australian expats to ‘play the long game’ in Asia, because they can easily balance working in Asia with staying in touch with friends and family in Australia.

Our economic integration with Asia has helped drive Australia to become:

The fifth largest provider of education services for foreign university students – a \$15 **billion** a year export earner; and our 4th largest export.

One of the world's top 10 tourism earning countries; and

Number 4 in the world in exports of minerals and petroleum products.

In comparison, consider for a moment that more than 99 per cent of the US's 30 **million** companies do not export – a percentage that is significantly lower than all other developed countries. And of US companies that do export, 58 per cent export to only one country.

For US companies looking to make their first steps into the Asia region, Australia offers a bridgehead with a large Asian language speaking population and highly skilled workforce, sharing:

A similar culture;

The rule of law with one of the world's most transparent business environments; and

Strong protection for your intellectual property.

So I say, let's play to our respective strengths, capitalise on Australia's position as an investment gateway, and look at ways to fully exploit the advantages of our partnership.

Current examples of US-Australia investment partnerships

Our trade and investment cooperation geared around Asian export markets is already stimulating very large US investments in Australia.

Here's some specific examples:

Australia sits at the pinnacle of Chevron's project investment portfolio, through Chevron's major commitments to the massive \$55bn Gorgon and \$30bn Wheatstone liquefied natural gas export projects currently under construction off Australia's northwest coast;

US agricultural giant Cargill has in 2013 continued its significant investment in Australia, adding malting to its existing investments in grain storage and marketing, flour milling, beef feedlots, meat processing, and tanning;

The collaboration between US private **equity firm** Paine & Partners and Costa Group, Australia's largest private producer, marketer and exporter of fresh fruit and vegetables. 4000 hectares of farmland, 7000 jobs, total sales worth over \$600 **million** in 2011; and

TIAA-CREF's significant recent investments in Australian farms.

Consider this in the context of rapidly growing Asian middle-classes, with changing demands for food, and rapidly growing income, and the potential is obvious.

In Los Angeles, this list would not be complete without reference to Australia's contribution to and collaboration with the film industry. Over the last 10 years, \$2.6 **billion** has been invested by US companies in film and television productions in Australia.

Australians have received 150 nominations over the history of the Oscars and, of those nominations, we have won 47, including 40 awarded for Australians' expertise behind the screen or camera, in fields as diverse as cinematography, costume design, editing and animation.

One notable recent award by the US Academy of Motion Picture Arts and Science was that given to Adelaide-based **company**, Rising Sun Research (now named Cospective), which picked up a technical

achievement award for its development of the motion picture software “cineSync”. This technology has been used in recent films including Gravity, Wolverine, and Life of Pi.

As an aside, we are of course expecting to increase our Oscar nomination count on Thursday...Go Cate!

In education, Australia and the US have pushed for a cooperative student exchange agreement in the region, through the grouping known as Asia Pacific Economic Cooperation.

Over a **million** students are expected to be part of this – and your American students will be in great **company**, as Australia is currently the destination of choice for around half a **million** Asian students studying abroad.

And our respective university precincts are great examples of trans-Pacific traffic in world-class research and development capabilities, such as in the field of medical research – US **company** Amgen run extensive clinical trials and research in Australia, while Australian **company** CSL is a very extensive supporter of medical R&D at US universities in addition to Australia.

Boosting regional institutions

Australia and the US have had a Free Trade Agreement in place since 2005.

Over those eight years, two-way trade has increased by some 38 per cent.

Australia is also actively pursuing free trade agreements, and on top of the deal recently struck with South Korea, we have ambitious aims to soon conclude free trade agreements with Japan and **China** with high-quality market access undertakings, offering Australian exporters significant market opportunities.

Currently, these three countries account for 50 per cent of Australia’s exports.

Add to this the work we are doing together to strengthen regional institutions across the Asia-Pacific – building and consolidating networks, driving reform.

Through APEC, the East Asia Summit, and Australia’s current chairmanship of the G20 – together we are in a strong position to drive reform and integration, to pursue strong private sector led economic growth, and to achieve our trade and investment goals.

2014 is a unique opportunity for Australia through our presidency of the G20.

Global growth is subdued and the outlook is not improving quickly enough – the IMF has revised down its global growth forecasts repeatedly over the last two years.

The world needs new approaches to ensure economic growth is sustained in the years ahead.

The key is for governments to enable the private sector to drive economic activity.

Only the private sector can deliver the sustainable growth in investment, trade and job creation that the world needs. The interventionist approach has failed to deliver sustainable economic growth and jobs.

It means having business invest, build the infrastructure of the future and grow trade in goods and services.

These imperatives will help shape the G20 agenda that Australia will drive this year.

Similarly, the work of the East Asia Summit, and the newly invigorated Indian Ocean Rim Association (of which Australia is also currently the Chair) – are integral to strengthening the structures through which our trade and investment goals can be pursued (particularly as Australia’s view of Asia incorporates the scope of the Indian Ocean too).

Our efforts on the Trans-Pacific Partnership (TPP) and the Regional Comprehensive Economic Partnership (RCEP) are key parts of this regional agenda of integration. Both can support greater liberalisation in the Asia Pacific region.

Like the United States, Australia can see the huge potential benefits of liberalising trade among such significant players in our region and within the global economy.

The TPP negotiations are rapidly approaching a conclusion and we are working hard with our partners to negotiate a high-quality agreement that gets government out of the way of business.

That means reducing regulation and trade barriers, and harmonizing trade rules.

We welcome the United States' leadership in setting an ambitious timeframe and agenda for the negotiations.

It is right that we have high expectations for the TPP. But as in all such agreements, the last yard is the hardest.

What is on the table is close to agreement on so many issues, but only if the market access offerings are satisfactory. At the moment, across the board, they are not.

When signed, the TPP stands to be a vital building block in establishing and confirming the rules-based regional and international trade order. Other major economies are already showing interest in joining – Korea's in Washington this week to discuss it.

On the political front by the way, we don't think of the TPP simply as a good thing to do in economic terms. Congress ultimately will deliberate on this. When they do, they need to think of it in its broad strategic context.

Most of the Asian parties are members of a plethora of regionally based trade enhancing relations. Almost every country in the region has or is negotiating a free trade agreement with **China**. Here we have half the global economy now in a trading web in the region. 600 **million** people, 20% of the world's middle class now; 3 **billion** and 60% in 15 years. The US isn't much in the game now. A successful TPP puts you at the very heart.

Let's be clear. This is huge. All of the 12 TPP parties representing 40 per cent of global income will derive substantial jobs growth, if we can pull this off.

Further ahead, Australia is looking to building toward free trade agreements with Indonesia, a market of 250 **million** people – one of the four predicted future economic giants – along with Mexico, Nigeria and Turkey (the MINTS). And the Gulf Cooperation Council.

Also with India, a huge market for Australia in the future, with already many significant cultural, historical and people-to-people ties.

Through participation in the TPP and other Asian free trade agreements, Australia and the US will be better positioned to capture a significant share of the emerging high value market opportunity in the region.

## Conclusion

In conclusion, the Australia-US alliance in the Asia-Pacific region is important for many reasons.

As the closest of allies, together we are promoting peace and security in the region, which is important in itself, and as well, being the surest way to deliver a thriving and prosperous region into the future.

As our US Ambassador Kim Beazley and others reiterated earlier this morning, Australia is also the ideal destination for US companies wanting to tap into the region. Australia's stable economy, democratic traditions and strong rule of law make it the perfect entree to the Asia-Pacific.

Our two countries have shared a long history of working together in the Asia-Pacific. The US strategic 'rebalance' into the region just gives the partnership new impetus and more opportunities. In many ways this underscores the importance in seeing a successful conclusion of the Trans Pacific Partnership negotiations.

The history of our alliance is one built on trust, cooperation and shared values.

Now Australia and the US are perfectly positioned to both contribute to, and capitalise on, the shift in the world economy into this huge and thriving Asia-Pacific region.

For Australia to fully achieve its potential to provide high quality resources and **energy**, food and fiber, education, health and age care and tourism and hospitality, as a country with investment opportunities surpassing our own ability to fund them, we need informed US capital and know-how.

Plus, Australia can not only provide great investment opportunities for the US, but also a beach-head for direct access to the exploding middle-class Asian markets.

I commend the 2014 Austrade Benchmark Report to you all. It makes for very interesting reading, and provides a solid basis upon which to plan the future direction for US-Australia business collaborations in Asia.

The Australian Government is committed to 'economic diplomacy' – to opening up the Australian economy, to empowering private sector growth, to encouraging investment and creating conditions for business partnerships to flourish and trade to flow. As Australia's Trade and Investment Minister, I'm doing all I can to facilitate this.

If, working closely with our friends in the US, we can combine all that with an ambitious trans-Pacific trade liberalization agenda, and tackle the huge potential of the new Asian middle class, then for companies and their employees right around both our great nations, the future's unlimited.

Thank you.

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