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Well thanks very much Karen [Lanyon] and good afternoon ladies and gentlemen.

It's a great pleasure to be here in Los Angeles with you all. I really am grateful to G'Day USA for today's event, today's program and the series of programs that I have had the privilege of participating in since Friday and will go through until Wednesday.

Let me start by asserting something I believe to be very much a fact, and that is the 21st Century will be the century of food and water security.

When we look back at the end of the Century, I think it will be seen as that. Australia for our part, despite being a big country with a small population, but despite the small population our circumstances in many ways have meant that I think we will be positioned to, with a few others, to **lead** the charge – as we have done in the past.

Agriculture lies at the heart of the Australian identity and is one of our key traditional economic strengths – the third line of our national anthem speaks of golden soil and wealth for toil. It's very much a reflection of the character and nature of Australia given its climatic conditions and its physical endowments.

Since the 19th century, we have been world class food producers and exporters.

We have achieved this against the backdrop of Australia being the driest inhabited continent on earth. In fact, it's said that in some parts of Australia it's so dry that the trees chase the dogs. But I suggest don't use that line in **China** it doesn't translate too well.

Notwithstanding these dry areas, at the same time in Australia's North we have enormous quantities of untapped water resources – over 60 per cent of Australia's rainfall falls in the tropics, above the tropic of Capricorn, nearly the top half of Australia and it's virtually all floated out to sea.

For Australia, water is always at the forefront – with our great swings from drought to flooding rains.

Australia has faced these challenges in the past and the US was there with us. Our partnership in this sense goes back a long way.

The opening up of California's Inland Empire through irrigation, and the development of Australia's great irrigation project in its south-east, were both led by some of the same individuals in the early 20th century and both were backed by US capital.

The Chaffy brothers, the two Chaffy brothers, who had their ups and downs, but they were heavily responsible for a lot of what's happened in terms of the enormous food production out of this state and out of Australia for that matter. These magnificent historical enterprises are examples of brilliant innovations in water management and agricultural development.

So we have done it before, and today, as we face the huge opportunity, which is also quite a challenge, to supply high quality food to Asia's emerging middle class, we can do it again – combining US capital and intelligence, information, innovation and Australian water resources, with a dash of technological ingenuity. And it does mean we have to apply a lot of ingenuity. The pace of change in the region around us in Australia is unbelievably fast and profound and the technology must keep up with it. And certainly in terms of water and water management we must keep up with it.

So what are the political and regional contexts that frame the opportunity to take this leadership role on such a critical issue?

First – the new Australian coalition government elected in September. What is the framework that we envision which will underline a lot of things including how we tackle water and water management?

We are already seen by **Chinese** consumers, as a country, as **gold** standard for food quality. The new government is now restoring Australia's reputation as the **gold** standard as an investment destination.

We are driving a domestic agenda that will help business, investment and innovation flourish.

Our over-arching economic objective is to remove from centre stage unsustainable government spending, endless rule changes and new taxes, and replace it with robust growth of the private sector. That is the context, if you like, the objective that we set ourselves some three years ago when we started to develop a set of policies if we got the privilege of government last year, which we did. The agenda that framed our policy development was based on a simple framework of four principles:

Firstly, that as a government we will seek to live within our means, and get the budget back in the black. That's important for all sorts of other reasons, but it can make things like water management and other objectives where you are trying to break through a lot of technological barriers – it can make that difficult. But we are trying to put onus onto the private sector and giving them the incentive and the space, if you like, to make that happen.

The second principle is to pursue very substantial deregulation. That's part of giving private sector a low cost base and the discretion and the incentive and the opportunity to embrace a lot of the challenges that we do in fact face.

To restore a culture of personal responsibility. So that people who do seek opportunities, the opportunities and the problems associated with food production for this century and water management, that there is a sense of personal obligation not waiting for government to dictate what happens and how it should happen.

And finally, and very importantly, to back our strengths as a country. To look at the three, four or five things that we do as well as anyone and better than most, and to put our focus on that. Like you do as individuals, you do best as friends, as an organisation, as a not-for-profit or corporation, you do your best if you back your strengths. Well, it's no different for a country. We are looking to single out those things that we are particularly good at for all sorts of reasons and to try and maximise those opportunities.

It's an odd thing – I've been in and around government for 30 years and governments I suspect all around the world tend to focus on weaknesses, because of the squeaky wheel. It's human nature to respond to the squeaky wheel. And often governments don't give enough thought and priority to the great strengths of whatever country you're talking about. So we've made a very deliberate attempt to do that.

So we want to free up trade, we want to stimulate private sector growth and we want to create the right environment to attract significant foreign investment.

Legislation introduced into our Parliament from our first week as a new government embodied this fresh approach – reducing business costs, scrapping a number of damaging taxes altogether and initiating major deregulation to reduce compliance burdens.

So we are under new management and we want to get the message across that we are certainly open for business.

The second factor influencing the opportunity ahead of us as a country is our strength at the regional level. We have strong business, cultural and educational links to Asia. Nearly 10 per cent of our population speaks an Asian language at home. That is an extraordinary influence on the attitudes of the

other 90 per cent of our population. We are in the same time zone that is a factor which is often not properly appreciated even by Australians, the advantage that offers.

I ran a **company** out of the United States in Australia, a big **company** from the US, from Arkansas of all places. And then I ran a **company** into Asia, and it was chalk and cheese. A lot of it was the timeframe, the difficulty of those timeframes. So the opportunity to build business and to, especially given the complimentary resources we've got in Australia compared with the region, are enormous.

I really want to put to you today that, in many respects, we can only do that to its full potential if we are in partnership and the logical partner in much of this is one that has an informed investment and technology base, and experience in similar problems, and this is going to come from the United States.

There are opportunities for us in partnership to play a very big part in dealing with the century of food and water security and the challenges that come with it.

Australia sits at the gateway of these burgeoning economies in the Asia-Pacific. This region, which we perhaps should now see through an Indo-Pacific lens, is emerging as the global engine of economic growth and prosperity. It's no doubt that it will drive so much of the growth in the world over this century.

Already, it's driving startling growth for our agricultural products. Last year we saw a 1000 per cent increase in the **sale** of chilled beef. It is just one example of many. It is extraordinary and something two years ago no-one would have predicted, even a year ago they wouldn't have. It just emerged out of nowhere and they've ended up capping it because the authorities were uncomfortable with the pace for the growth of that in other markets.

And by 2030, not 2050 or not 2100, but by 2030, we expect, and the OECD forecasts, that the Asia-Pacific middle-class will have grown from around 500-600 **million** now to the order of 3.2 **billion** people. It's almost incomprehensible to think of that extent of transition from what we've got now to what we will have. This is from India all the way through to **China** and all of the countries in between, and it's in a period from 15-20 years. Think of the strain this is going to put on resources, water and soil, and all the rest, and the competition for arable land in a lot of these parts of the world.

And it's not just **China**. Our biggest neighbour right near us, Indonesia, has 250 **million** people. Within ten years their economy and their GDP, will be greater than Germany's. Their middle class is already heading towards 100 **million** people. Vietnam again, is not a focus of business and development for many, but if you put Vietnam into the European Community it would be the biggest country in the European Community. It is following the sort of pattern that **China** is following in terms of the opening up of market opportunities. And the innovation and development there is just again mind boggling.

All of that is going to contribute right across the region to this explosion of the middle class. It is providing the opportunity but with it comes all sorts of things that need to be managed. I think, as I said, our two countries have got a great capacity to play a part in sensibly and sustainably managing those challenges.

As they grow richer, they desire high-quality food, which we will export to them as best we can and with clean water, which we will hope to provide, as I suspect the US will as well, through our engineering, our construction and our environmental and design services, to enable the emerging Asian middle income economies to grow in a sustainable fashion.

So could I now just explore in the second half of my contribution these themes in a little bit more detail.

We have a volatile climate.

Vast areas of the eastern seaboard of Australia were submerged in the wild summer of 2010-11. Wall-to-wall flooding. Lives were lost.

Now parts of the same area are dealing with drought.

That is our long-term experience. That is the phenomenon that is our climate.

This cycle is a familiar one for Australians.

Our unique geography and climate has taught us to appreciate, to value and to manage water – the most precious of commodities.

Today we have some of the world's most innovative farmers, who are reliable, large-scale providers of food of exceptional quality and purity.

The clean, green image that we have got throughout Asia, along with New Zealand, is an enormous brand opportunity and great strength of Australia. It's why we are obsessive about protecting ourselves from diseases which we have not got. We are a continent but we are an island as well.

The only island continent. That gives us an advantage in terms of freedom from certain crop and animal diseases. We currently feed 60 million people directly and we contribute to feeding a further 400 million people through the historical services exports of Australian skills and technology. A lot of our aid program is directed very much at building capabilities and it has been for decades.

And yet, in Australia's north, we have substantial tracts of underutilised land and untapped water resources.

A very costly part of the world to develop and it's the tropics, whereas most of Australia was settled over many successive periods of immigration and 50 per cent of our population is first or second generation Australian.

Many waves of migration have come from temperate areas of the world and gravitated towards temperate parts of our continent. The north, which has somewhere close to 17 million hectares of arable soil, is currently constrained to running cloven-footed animals. It's a historical fact that they run cattle. It's undeveloped country.

60 per cent of all our water falls there. We capture one to two per cent of it. If we captured four or five per cent of that water we could theoretically irrigate so much of that 17 million.

You would not irrigate it all. At the moment we are very big irrigators but we have only two million hectares in the rest of the country irrigated.

So you can see the potential in quite a sustainable way given the technology and the understanding now we have got to develop a lot of that north.

And now we have got a market which has got a middle class which is prepared to pay for high value food products.

We have now got a market opportunity which will pay sufficiently to warrant a return on the investment to develop that high cost, quite remote part of Australia.

To put it in context, Australia's total irrigated land, as I said, is two million hectares and yet we have got something heading towards 17 million hectares of arable soil. A lot of it in the same sort of tropical zone as Brazil.

A lot of the soil is far better than the soil which Brazil has done a very good job of rehabilitating in recent years but also now they are very big agricultural exporters because of it.

So we are talking about a very similar land and situation.

By increasing our water use by a few percentage points of the available water resource, not just in the north, but across the rest of Australia, we could export food to a further 100 million people.

We won't solve the Asian food problem but we can make a very big contribution and at the same time assist them to increase the sustainability of their production, which in many of these countries there is a lot of bad practice that exists and a lot of problems that have emerged.

So, in the 21st century, Australia has an extraordinary opportunity to build its food and agriculture exports, to support that rapidly expanding demand for high-quality food.

But we need foreign capital to realise that potential.

We won't be able to fund all the infrastructure improvements, all the research and innovation without investment partners.

We have always relied, as a country, on large-scale investment since the First Fleet in 1788.

We have required high foreign capital. We have got a small – relatively small – capital market. And our ability to sustain major developments – so much of our resource development over the last 10 or 15 years – the enormous projects in iron ore and coal and LNG – have been backed by, in many cases, large US firms.

I am seeing Chevron when I go to San Francisco on Wednesday. They are, in fact, in the big Gorgon gas project. They are the biggest American investor among all of the big projects that we've encountered over the last couple of decades.

We have had the benefit of decades of learning in tropical irrigation projects such as the Ord River Scheme – we now know what works and what doesn't.

We know how to avoid 40,000 birds arriving just as a crop is reaching maturity and looking very profitable. These sorts of things did set some of our ambitions back a little bit but we have acquired an enormous amount of knowledge and expertise.

Along the way, both in our tropical north and in the Murray Darling Basin in the south-east, which is the most productive area of Australia, we have developed world-class water management skills and technologies.

This includes the important environmental issues. We have got stands of wonderful red gum which need to be flooded once in four years. We now have the technology to ensure they are not flooded four out of four years or once in eight years. We can now manage the water flows in the rivers so that those stands of gums do get what they need once every four years and in the other three years we capture that water for other urban and agricultural uses.

That technology was not available ten years ago. These are the sorts of things which are transforming our ability to manage water and to make extraordinary good use of the available water resource. We are not getting any more rain but we are certainly making far better use of the existing water.

That does make us the key player, I think, in the century of food and water security; and in exporting food but in particular in exporting water management skills and the technologies.

We are a leading agricultural producer – but agriculture is also a huge water consumer – accounting for over 50 per cent of total water consumption.

We are expert in dry land farming, and that's important.

But we are also world class irrigators.

Despite reduced water availability, recent figures show that the value of Australia's irrigated agricultural production has reached more than \$13 billion. It has grown and is continuing to grow year on year.

One of my favourite examples is the work done in the Goulburn and Murray River Valleys – where irrigation systems have had the most significant upgrade in over 100 years, utilising technologies, experience and expertise from many innovative private sector businesses, including Comdain Infrastructure, SKM and Transfield Services.

This project, in one of Australia's crucial food producing areas, has reduced water use by over 30 per cent in the last 10 years, supporting a \$9 billion industry, including \$1.5 billion of exports.

Similarly, Rubicon, a small irrigation technology company, has demonstrated some potent innovation, developing solar powered irrigation water control gates – an integrated system that has reduced water use by half in the north-east of Victoria where I come from, while maintaining the same levels of existing production.

So over the last 10 years the existing production has been maintained and the water use which has been massive has been halved because of this technology – technology which has been exported here and to Brazil.

We have developed expertise in stormwater capture, soil salinity management – very major problems in the last 30 or 40 years have been in soil salinity management and we have developed enormous expertise in this area – filtration technology, desalination plants and ultraviolet disinfection, and many other areas, including wetlands management and water recycling.

Australian companies are having an impact here in the US, including:

GHD in east coast water quality;

Optimatics in urban leakage detection and pipe planning;

Cardno in environmental management; and

BioGill in chemical free waste treatment.

In many cases, these technologies are developed in partnership with Australia's Commonwealth Scientific Industrial Research Organisation (CSIRO).

This is also going on in other sectors – such as the Australian **mining** industry. This is truly a world leader in water reuse. A big, fundamental part of the complementary success of exporting a lot of our resources is the water re-use abilities and technologies that they have developed.

The mine water use efficiency and the mine reclamation is also another important feature.

The list goes on.

Government policy reform in water has also played its part – clarifying water property rights and introducing price signals to enable water to flow to its best and highest value use.

I understand you established this morning that the price of water in Australia is still twice as high as it is in California.

The pricing has been a really big part but in combination especially in irrigation areas with sophisticated water trading systems which have allowed us to manage water allocations efficiently and effectively across state borders as well. We work with six states and two territories.

As with the US, a very important issue is how to manage cross-state water use.

We are already sharing our expertise across our region – through our aid program in the Himalayas, India and Bangladesh.

In the Mekong River basin – where there's great potential for growth and a great potential for conflict based around water. We invest in infrastructure to facilitate trade and sustainable economic growth that will bear a rich harvest for Australia and its investment partners in the future.

There is enormous opportunity to use Australia in a way as a beach head for water management services that will then reach out into Asia and for food production.

As Australia's Trade and Investment Minister, my job is to create the environment that will stimulate private sector growth by freeing up trade, drawing in foreign investment and encouraging partnerships – all based on those four principles which guide our approach:

Living within our means.

Deregulating to let individuals and businesses get on with what they do best.

Encouraging a culture of personal responsibility; and

Playing to our country's strength (which includes agribusiness and water management).

The responsibility to promote our strengths mean we must leverage our experience with food and water security as we look to progress this century.

As I have said earlier, the combination of Australia's natural resources of land, water and know-how with US know-how and informed investment capital offer huge potential to meet that burgeoning demand for high-value, high-quality food for Asia's middle class.

The exciting thing is that the capacity to meet the challenge we face is already being harnessed, as you have been discussing here today. There are great things already underway.

And I think the awareness of the water issues has only really emerged in the last 10 to 15 or 20 years. To look at the progress that has been made in that time suggests that the next 20 years will be rich with enormous opportunities and they are needed to meet the challenges that are coming at us.

For the Australia-US partnership, co-investment in agriculture is already yielding results. We are seeing a lot of this partnership going on.

Through such giants as Cargill, with its significant investment in grains storage and marketing, in milling, malting, beef processing and tanning. In all of these areas, a lot of the logistical process associated with so much of production also has an impact on water usage and water management and the extent to which you make use of the products that have been produced.

The collaboration between US private **equity firm** Paine and Partners, and Costa Group – 4000 hectares of farmland, 7000 jobs, total sales worth over \$600 **million**.



Or the substantial investment of TIAA-CREF in Australian farms. There's a lot of investment starting to take place in Australian farms and agribusiness.

Our commitment to, and understanding of, the imperative of water management, the intrinsic Australian value placed on water, our knowledge of it, our hard-won experience of its worth, in deluge and in drought – this is the foundation of future success.

The new Australian government is determined to create conditions conducive to innovation, such as exploring effective employee share ownership schemes and new approaches to financing entrepreneurial developments.

The heartland of our innovation in Australia has always been our small business sector which accounts for over 50 per cent of employment in Australia and, as I say, is the engine room for innovation. We are looking to unlock more of that potential.

We're reforming at home.

And abroad, we're supporting the regional institutions of Asia such as the East Asia Summit and the Association of South-East Asian Nations.

Water is starting to emerge on the agendas of these regional organisations.

Meanwhile, we're vigorously pursuing the opening up of markets through free trade agreements.

We have just recently struck one with South Korea, and plan to conclude hopefully soon with Japan and **China**. We are heavily involved with the twelve-nation Trans Pacific Partnership which is being led by the United States and encompasses economies such as the US, Japan, Australia and several south-east Asian economies, totalling 800 **million** people and 40 per cent of world GDP.

All of these things will contribute to a much freer flow of services, technology, intellectual property, the opportunity for partnerships, the reduction of customs barriers and all of these things. You put that across 40 per cent of the world's GDP in the same region and it really will turbo charge so much of what you are doing.

Even if you are working at a very technical level, these things are going to help foster much greater speed of adoption and innovation and sharing and partnership across the region.

In collaboration with partners like the US, we are working to ensure that conditions in the Asia Pacific are conducive to peace and stability. As I said, the Mekong Delta and other areas are ripe for conflict. Conflicts throughout world history have been based around resources of some sort or another overwhelmingly. We've got that challenge again, I think, this century.

There is nowhere more important than in the area of food and water for sharing expertise.

As I said at the outset, the 21st century will be the century of food and water security.

And Australia is poised to be a leader in meeting this challenge head-on, combining our vast untapped resources in water and arable land in Australia's north with innovative water management technologies.

We are going to back our strengths and I look forward to doing that in partnership with the United States, including all of you.

Thank you very much.

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