



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

Transcript
2GB MONEY TALKS WITH ROSS GREENWOOD
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ROSS GREENWOOD: First up, let's talk about that Australian dollar and exactly where it leaves many organisations and particularly manufacturers and farmers here in Australia. The Australian dollar, as we speak, 109.31 US cents. Joining me now, the Trade Minister, Craig Emerson. Hello, Craig.

CRAIG EMERSON: G'day, Ross.

GREENWOOD: Could you ever have wished to imagine even in the short period that you've been a minister that you would see the Australian dollar sitting at these levels?

EMERSON: Probably not. I'm not a currency dealer, but obviously this is by far the highest level of the Australian dollar since well before it was floated back in late 1983. So it does have adverse effects, as you say, on our exporters and those seeking to compete against imports. So, we're very aware of that and, you know, one of the problems with the floating dollar is when you float it, it floats, and I think, in a strange sort of way, it's a bit of an indication of a confidence in the Australian economy and the fact that we're a commodity exporter and commodities are doing particularly well at the moment.

GREENWOOD: They really are, except the real issue is, of course, here in Australia you've got cheaper imports flooding into the country, you've got manufacturers who are already under enormous pressure here locally and

they are genuinely struggling to try and justify why they should continue to manufacture in this country.

EMERSON: Well, that's true and what we can do as a government is try to keep unnecessary costs down for our Australian manufacturers, and that's one of the reasons why we've been working so hard on this move towards a seamless national economy, Ross. Because a lot of our manufacturers working and operating in more than one state have to comply with up to six or even eight sets of different laws across the states and territories. So a big exercise of the Labor Government is to reduce or eliminate those unnecessary overlaps and inconsistencies and that's a way of keeping some of the costs down for our manufacturers.

GREENWOOD: Granted, and I'll accept that and I'd say that is a good initiative that would be welcomed. The only problem is, of course, that there's all sorts of other handbrakes that come on people who try to manufacture or make anything in this country at the moment. One of them is the Prime Minister being in Beijing this week talking about a free trade agreement with China.

Now, many people would suggest that China has been dumping all sorts of products here in Australia for many years and there have been cases which have actually proven they've been doing exactly that. Many of those manufacturers would say that this is not the time to be having any sort of free trade agreement with the maker of, or the biggest maker, of manufactured goods in the world.

EMERSON: No, well, bear in mind that we're seeking improved access to the Chinese market. That's an imperative for us and that's good for our exporters. I mean, it's one thing to be dealing with or trying to struggle with a high Australian dollar, and another that compounds that is if access to other countries' markets is impeded by high tariff barriers and non-trade barriers. So a free trade agreement is designed to free that up.

GREENWOOD: But is it the truth there, if we're talking about those things that we're exporting, isn't it true that we're exporting minerals and commodities, food, these types of things? These are the broad exports that go to China. So, it may free markets up for the producers of those things, but those people who have to compete against the Chinese imports that would flood

into the country and which are already doing so, really it's going to be a situation where manufacturing is going to find it very, very difficult to either justify being in Australia or justify continuing to manufacture here in Australia as distinct from manufacturing in China.

EMERSON:

And I don't seek to underestimate the pressure that manufacturing is under, Ross. But my point here is that, yes, it is true that commodities are a dominant component of our exports to countries like China. But we're seeking to broaden that out, including with the service economy - all our service industries - and in fact the Prime Minister witnessed the signing of a memorandum of understanding to remove impediments to our service exports into China. And a little-known fact is that China is now our biggest service industry market, not just in tourism, not just in education, but we're broadening that out. So we're doing what we can to assist our service industries.

It's probably true that we're not a big manufactured exporter to China and more comes ... much more comes, in fact, the other way.

By the way, and not seeking in any way to diminish the point you're making, this is actually keeping the prices of imports down somewhat and that itself is putting a little bit of a reverse direction, if you like, on the inflation rate because imports are cheaper with that very high Australian dollar than they otherwise would be. But don't get the impression from my comments that that means I'm in any way blasé about the plight of Australian manufacturing. I'm not, but these trade deals are very much about us getting better access to foreign country markets.

Our tariffs are either zero or around 5 per cent so, you know, that's the sort of order of magnitude that we're talking about in terms of imports coming into Australia. But there are big barriers to other markets and it's the job of the Trade Minister and the Gillard Government more generally to improve access for all of our industries, whether they're primary industries - agriculture, mining - our service industries and our manufactured industries, to other countries' markets.

GREENWOOD:

Because the truth is we talk manufacturing and people can understand that manufacturing's going to certainly do it very tough under a free trade agreement with China, or indeed with the Australian

dollar very high. What I struggle to really be able to reconcile - and I say in a perfect world free trade agreements are absolutely brilliant, so long as everybody follows and everybody actually follows the rules - what I have real trouble with here in Australia is that Australia right now is importing potatoes, we're importing onions, we're importing bricks ... for goodness sakes, as in house bricks! It seems to me that these are basic heavy items that should never really be more competitive to bring them into the country as distinct from making them here. And particularly when it comes to fruit and vegetables and these types of items, you would think that these are the things that Australia should be making in plentiful supply so that they can be exported out of the country. It just seems to me that it really seems odd that we can find other countries that find it competitive to bring these types of things into the country.

EMERSON:

Sure and I don't think governments can, you know, suddenly make it more expensive to import these things. That would imply putting tariffs back up again or imposing them for the first time on some of these agricultural products. Quite a few of your listeners would think that's a good idea. That, of course, would force up the cost of living for your listeners. If we wanted to increase food prices, that's a good way of doing it.

But, again, looking at the reverse direction, one of the discussions that I've initiated, having just been in China before the Prime Minister, is some consideration about the issue of food security. Because our Asian neighbours may drive for self-sufficiency in a lot of agricultural products, Ross - and I can understand why in grains, for example, they might want to do that, to feed their people - but they won't succeed in self-sufficiency in everything and here is an opportunity for Australian beef exporters, amongst many others, to be able to get into those markets and help provide the food security that these countries seek, just as we have done for the last 25 years with mineral and energy resource security. We've been a good, reliable supplier to Asia and most particularly to China and Japan. Why can't we be a good, reliable supplier of food products to Asia, particularly to China with its population of 1.34 billion people?

GREENWOOD: It's so true, but it seems to me that really if somebody finds it economic to be able to ship onions or potatoes here to Australia and we're trying to compete, well, it makes as much sense to send them to China or somewhere else if really their potatoes are of a comparable price to those here in Australia. It must also be pretty tough, as the Trade Minister, because effectively, as you're saying right here to me, you're almost having to pick winners in terms of industries that will go well and industries on the other side that may ... may wither or may die out altogether.

EMERSON: It's not really the role of government to identify which industries should come under competitive pressure and which shouldn't. We are an open, competitive economy and as a result of that I can report to you that an estimate that's been prepared by the Centre for International Economics suggests that as a result of opening ourselves up to trade, the average household is \$3,900 better off. That comes in the form of extra income for Australia but also, importantly, being able to import some products into Australia less expensively than we can produce them at home.

Now, you know, we don't really want to create a situation where we ban imports into this country. That would be devastatingly bad for the cost of living. If we increase tariffs, that would increase the cost of living as well. So what we really need to do is lay out the conditions that are conducive to our businesses being as competitive as possible, and then have the opportunity to compete in those overseas markets without having to jump over very high trade barriers in those countries. That's what I think the role of a Trade Minister should be.

GREENWOOD: Craig Emerson is our Trade Minister and I can say I can see the board lighting up right now, Craig Emerson: everybody ringing up saying 'where's my \$3900?' And I suspect a few of them think it might be in Rio Tinto or BHP's pocket.

Anyway, I appreciate your time, as always, Craig Emerson. It's good to talk to you.

GREENWOOD: Thanks, Ross. Thanks very much.