



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

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Subjects: Asylum-seekers, carbon price retaliation, the Budget

PETER VAN ONSELEN: We are joined now here live in the studio by Dr Craig Emerson, the Trade Minister. Dr Emerson, thanks for your company.

CRAIG EMERSON: Thanks Peter.

VAN ONSELEN: I don't doubt you will want to get on to the Budget and to the Budget-in-reply as well, but I just want to ask you about asylum-seekers to start with because there was this boat that arrived off the Scott Reef, and the Immigration Minister as well as the Shadow Minister both had something to say about it. Let's just have a listen.

[Excerpt] CHRIS BOWEN: My message to people-smugglers and asylum-seekers is very clear: our resolve is strong. We will not

be accepting and processing for asylum claims those who arrive in Australia by boat.

[Excerpt] SCOTT MORRISON:

Well, within a week the people-smugglers have called Julia Gillard's bluff, as yet another boat arrives, and we heard the Minister say earlier today that they will be taken to Christmas Island where, he says, they will be transferred to another country. But the Minister cannot tell you what other country that will be, because at present there is no agreement with Malaysia, Papua New Guinea, East Timor, or anywhere else for that matter.

VAN ONSELEN:

Dr Emerson, two questions: one, what is going to happen to these people that are being moved to Christmas Island? And secondly, what is right about a Malaysian solution that, in comparison, is wrong about a Nauru solution?

EMERSON:

They will go to a third country, as Chris Bowen has indicated. They will not be processed for their asylum applications in Australia, and they cannot expect to come to Australia. As Mr Bowen has made clear on behalf of the Government: people who come to Australia by boat will be processed in a third country and they cannot expect to be resettled in Australia. That is the policy.

In terms of Malaysia and what's different about that, we've said that we would have a regional framework, and Malaysia is part of that regional framework. We're also looking at locations in Papua New Guinea, as you are aware - also part of the regional framework.

KELLY:

Minister, what's going on here? I mean, we were told that we had an agreement - have an agreement - with

Malaysia. Do we have an agreement with Malaysia or not?

EMERSON:

We do have an agreement in principle. Details are being worked out and at that time - and I'm talking about fine details here - at the time of the announcement it was indicated that the agreement was reached in principle. There were media statements about it, and an agreement will be put in place with Malaysia.

KELLY:

But the Minister said that the next boat people arrivals would in fact go to Malaysia; he is no longer saying that. We are now talking about being processed in a third country. This is a back -down, surely?

EMERSON:

No. We have said that the processing will not occur in Australia, will not occur in Australia. It will occur in a third country. That might be Malaysia, it might be Papua New Guinea, and then there are even other possibilities.

KELLY:

The government doesn't know.

EMERSON:

And those are not mutually exclusive.

KELLY:

I mean the government doesn't know. Surely this is a farce.

EMERSON:

But what the asylum-seekers know and need to know, and the people-smugglers need to know, is that they will not be processed in Australia. And they will have no expectation whatsoever of being resettled in Australia.

VAN ONSELEN:

So if it takes six months to come to finalised agreements - or three months or nine months - that will just be a limbo period for anyone that tries to get here? They will just sit there awaiting processing abroad, not being processed in Australia?

EMERSON:

Yes, the commitment is that they will be processed abroad.

SHANAHAN:

Dr Emerson, you just said, 'other countries'. Are there negotiations with other countries to take Australia's boat people?

EMERSON:

I think we've seen overnight a discussion that occurred between the Foreign Minister and his counterpart in Thailand. Now, I'm not going to say to you that I know the details of that discussion. It may well have been simply an expression of interest on the part of Thailand, but it indicates that countries who are involved in the regional framework are interested in these sorts of propositions.

The key point is not whether they go to Malaysia or to Papua New Guinea. It's a regional framework, and they will not be processed in Australia, and they have no right to expect that they will be resettled in Australia.

VAN ONSELEN:

You'd have to concede this is more than a little awkward for the government, though, because for a long time you've argued against the Nauru solution on a combination of humanitarian grounds, expense, the fact that they're not signatories to the UN conventions. Yet here is Malaysia, where it won't even be Australian authorities that will be in charge of asylum-seekers, bamboo caning has gone on.

EMERSON: We're working with the United Nations High Commission for Refugees on this, so let's not get into the sensational claims that asylum-seekers ...

VAN ONSELEN: But Malaysia's not exactly a first-rate democracy.

EMERSON: ... when they leave Australia will be caned when they arrive in Malaysia. I think that's a bit sensationalist, if you don't mind me saying.

VAN ONSELEN: But there is a loss of control, though, by the Australian authorities.

EMERSON: In relation to Nauru, I've had a recent look at a map of the world. Nauru is not by any measure a part of a regional framework, and we said at the outset that there would be a regional framework, a regional solution to a regional problem. Nauru is not.

And as to the suggestion by the Opposition Leader that it's just a matter of picking up the phone to the President of Nauru, the facilities there are not ready. My understanding, for example, is part of the facilities are used as a school. It is costly - no-one's saying that any of this is inexpensive - but these are the sorts of considerations. And what Julia Gillard said before the last election ...

VAN ONSELEN: Are they really the considerations on Nauru, though, Dr Emerson, or is it more just about not wanting to go to the same place that John Howard and his government went?

EMERSON: What we said before the election is that we would develop a regional framework to provide a regional solution to a regional problem. Nauru is out here.

Malaysia and also Papua New Guinea and those countries are part of the region. They are part of the region, our own region and the region from whence asylum-seekers first come.

Many of those asylum-seekers, as we know, actually arrive in Malaysia. What we're saying is that they will go back to Malaysia. They will be processed in Malaysia, and there is no expectation, and no expectation on their part that, as a result of that, they will be coming to Australia. They could go to any other country in the world if they are assessed as genuine refugees.

KELLY:

As Trade Minister are you aware of the background relating to the EU retaliation against Qantas on the grounds that Australia is not pricing carbon? Are you concerned about this, and what does it mean for Qantas and for Australia more generally?

EMERSON:

It's deeply worrying. My understanding in this particular case is that it's not targeted at Qantas but it is a ... Qantas would be affected. And it is an indication of the future, a future that we are prepared to deal with and Mr Abbott is not prepared to deal with.

If Australia does not put a price on carbon, there will be more and more examples of retaliation, whether through border tax adjustments or other measures, some of which actually, Paul, can be consistent with the World Trade Organisation rules. That's an important point.

Some of these measures, depending on their design features, can be consistent with the WTO's rules, therefore we are left absolutely defenceless against other countries indicating that because Australia has

not put a price on carbon they will take action against it.

KELLY:

So is what you're saying is that wide sections of Australian industry and business could be penalised by this sort of action?

EMERSON:

I think of it like this. In a sideshow alley, the ducks going past, the big duck - Australia - and absolutely being ... pot shots being taken at Australia, because we would be one of the few countries that didn't put a price on carbon. Now we will, from 1 July 2012. What's Tony Abbott said? He will yank it out.

What Tony Abbott would do is expose Australian industry, our exporters, to punitive action by third countries who do have a price on carbon, who look at Australia and say, 'there you go, one of the few countries that hasn't'.

KELLY:

So, you're sheeting this home to the Opposition? What you're in fact saying is the Opposition will be responsible if a ... if this sort of action is taken, if we're not pricing carbon?

EMERSON:

What I'm saying is that we don't have high hopes of Mr Abbott supporting our carbon pricing arrangements. I think that's a realistic assessment.

However, the more relevant point is that Mr Abbott has indicated that if he is elected, out goes the carbon price, down go age pensions, up go taxes, and our businesses, our industries, will be vulnerable to being targeted by countries that do have a carbon price. And it can be in ways that are consistent with the World

Trade Organisation rules, that is, the global trading system.

SHANAHAN:

Minister, on that point of the WTO, the US airlines and the US government have indicated that they think that this action may be outside the WTO rules. As minister would you examine whether this is outside WTO, and would you consider an appeal?

EMERSON:

Well, we would seek to defend Australian industry, but the point here is this sort of activity would ramp up in the absence of a carbon price, and that would be a situation where Tony Abbott was the Prime Minister of Australia. He needs to explain why he would expose Australian exporters, Australian industry to this sort of retaliatory action. And it does depend on the design features.

Essentially, the world trading system runs on the principle of non-discrimination. So, if it's not discriminating against a particular country – say, singling out one country - but saying, 'for those countries that do not have a price on carbon, this action will be taken', then that can be consistent with the WTO rules. That's a big problem for Australia, a big problem for Qantas, a big problem for all our exporters.

KELLY:

But aren't you also concerned that some of this is just old-fashioned protectionism dressed up?

EMERSON:

Absolutely. I'm not defending it in the slightest. I'm not defending it in the slightest, and in fact what I've been saying consistently, I think you'll agree, Paul, is that we have to guard vigilantly against new protectionism; against green forms of protectionism cloaked in this respectability of, 'we're saving the planet'.

What we're worried about is that this will be the new round, the new way for protectionism, effectively designed to protect industries in other countries against competition from Australia. We talked about our association or the China boom. What's happened over the last 20 years is Australia's prosperity has increased so strongly - 20 years of unbroken economic growth, the envy of the world, built on the creation of the open, competitive economy in Australia ... Hawke-Keating reforms fundamentally carried on in places by John Howard.

Now, that's where we [indistinct] prosperity - and visionary leadership gave us that. But if we go into a situation where we're exposing ourselves wide open to legitimate attacks under the rules - indefensible in my personal view but consistent with the rules - then that would destroy thousands and thousands of jobs. It would destroy prosperity in this country. Why? Because Tony Abbott has said he would yank out the carbon price.

That's why I've indicated and wrote last weekend in the *Australian* that the pricing of carbon is a fundamentally important economic reform, as important as those reforms that were undertaken in the 1980s: the floating of the dollar, liberalisation of the financial sector and gradual reductions in protection.

SHANAHAN:

But Minister, still on trade policy, you've undertaken some reforms yourself and some commitments to reduce tariffs. There have been complaints, though, from manufacturing and from manufacturing unions that you're not doing enough to prevent dumping of goods, particularly from China, in Australia. Can you actually reduce tariffs and not do more about dumping?

EMERSON:

Well, we actually haven't said that from this day forward we're going to reduce the very small remaining tariffs across the board. We are in negotiations with a number of countries on what are called free trade agreements, and that could be a result in one or two or three of those.

In terms of dumping, again, it's very important that we first have an effective anti-dumping regime that is consistent with the WTO rules. But my view is it shouldn't then go across the line, and be, again, another form of protectionism. So you can't have the rules if you then say dumping is fine, but it needs to be effective.

Now, there's a Senate inquiry going on at the moment, and there are proposals going forward, in terms of legislation, Private Members' Bill, that are definitely WTO-inconsistent. If we did that, same story, Paul, we expose ourselves to retaliatory action by other countries. If we had an anti-dumping regime that is inconsistent with the world trading rules, then other countries legitimately can retaliate and put up tariff barriers against our exporters - not a smart thing.

VAN ONSELEN:

Minister, let's move specifically on to the Budget. Wayne Swan said during the week that he wants this to be a Budget that provides opportunity for people. Let's just take a listen to what he had to say.

[Excerpt] WAYNE SWAN:

The purpose of this Labor Government and this Labor Budget is to put the opportunities that flow from a strong economy within the reach of more Australians.

VAN ONSELEN:

"Within the reach of more Australians." But there are reports in today's Sunday papers about the role of bracket creep and what that is costing families

comparing it, in fairness, to what happened under Peter Costello. And there's also reports about the fact that because of some of the caps that have come in at \$150,000, they believe some people might be better off earning \$149,000 rather than \$160,000, and there's tables to go with that in the Sunday papers.

Isn't that the kind of thing that is a disincentive to people sort of pursuing their best opportunity?

EMERSON:

Well, in fact, we've provided three rounds of tax cuts, including increasing the low-income tax offset, which is specifically designed to improve incentives for low-income people to either enter into the workforce or to do extra work. These are all designed to encourage people to make the transition from welfare to work. Labor is the party of work not the party of welfare.

Now, in terms of \$150,000 and arguments as to whether those people are rich: we have never said that people on \$150,000 are rich. But if you are going to have a needs-based family payments system, then at some point you need to phase these things out. And what the story today is, is about phasing out at around \$150,000 a year. There is an alternative, and that is no means-testing whatsoever of family payments. No means testing of the age pension. Both of those are advocated by Tony Abbott.

Now, how can you say that you're a responsible economic manager when at the same time you want to increase taxes and use that money to churn, to give people non-means-tested benefits, whether through the family tax system or through the age pension? He wrote that down in *Battlelines*.

Non means-tested age pension, remember Tony Abbott said. Believe me when it's a written down, scripted moment. Well, this was. This was a book, and he advocates no means testing for the age pension, and he believes means-testing should not apply to welfare payments, family payments.

VAN ONSELEN:

You're not going to hold the Opposition, as its policy script, responsible to what's in *Battlelines*, anymore than we can hold the Labor Government responsible to things that you've written, Lindsay Tanner, Wayne Swan in his book *Postcode*.

EMERSON:

Well, he is the Opposition Leader and he's advocated, for example, a paid parental leave scheme in *Battlelines*, and last Thursday same thing in the Budget reply. And on that, you know, here he is with his levy, he said, 'oh, levies are really bad'. Back comes the levy on income tax to pay for the paid parental leave scheme. But the fundamental thing about all of this is taxation, right?

Now, what Tony Abbott said on Thursday night is that, under the Coalition, taxes will always be lower than under Labor. That is a great, big fat lie. A great big, fat lie. From ... every year from 2001 to 2007 tax as a share of national income was higher than any period before it or any period after it.

VAN ONSELEN:

That's just because of the boom, though, isn't it? Surely?

EMERSON:

Look, Tony Abbott says that we are the high-taxing party and the Coalition is the low-taxing party. Let me give you these figures ...

KELLY: No, no, look, look, look ...

EMERSON: I want to give these figures. You go, and then I'll give the figures.

KELLY: Well, look, let's just focus on some of the other aspects of the budget. The budget increased the immigration program significantly by 16,000. How sustainable do you think this is in political terms, given the stand of the Opposition on immigration?

EMERSON: Sure, and I'll come to that immediately. Twelve thousand dollars is how much more families would pay, this year and over the remaining four years of the forward estimates, if tax as a share of GDP was the same as under the last year of the Howard Government. That is, families would have to pay \$12,000 a year, over that period, more. That's the figure. Going to your ...

KELLY: We've got that point.

EMERSON: Got that point?

KELLY: Got that point. Now let's go to immigration.

EMERSON: Yep. Now I think an important part of the Budget - in fact in economic terms one of the most important parts of the Budget was the fact that the China boom and associated strength in the economy is pushing the economy up against capacity constraints. That includes people. It includes skilled labour and includes general labour.

We did announce a 16,000 increase in regional migration. That's the ... they're the places that need the migrants. They're the places that need the migrants. And that is part of easing those capacity constraints and therefore easing off on inflationary pressures. This is a very important point to make.

So, yes, we are increasing the intake, with an emphasis on skills in regional areas. That takes ours to about 186,000 annual intake. What's Tony Abbott committed to: slashing it to 170,000? How could slashing the immigration intake from 186,000 to 170,000, when we're concentrating on regional development, be in the national interest? Bearing in mind that under John Howard the average over the last three years was 187,000.

KELLY: So what this means is that Labor stands for a bigger Australia than Tony Abbott, correct?

EMERSON: What it means is that Labor stands for more people being in those parts of Australia that want and need it.

KELLY: Sure. That's a bigger Australia.

EMERSON: No, I'm just saying that we want Australians ...

KELLY: That's what your numbers mean.

EMERSON: No, I'll tell you what. I don't want this debate dumbed down to say, 'is Labor for a big Australia and Tony Abbott for a small Australia?'. We are a very large continent - what, about seven-eighths the size of the mainland of the United States?

They've got 230 million; we've got 23 million - and we can't fit another person in? Not in Western Australia, up in mining communities? Not in country New South Wales where I come from, where they'd say, 'hey, we'd really like to keep our local doctor and the local bank, if we could have some more migrants'. Not to ease inflationary pressures, which then manifest themselves as increases in interest rates?

This is sensible migration policy. What is completely vandalistic is Tony Abbott's opportunism in saying that they would have a cut in the immigration intake down to 170,000, which is below John Howard's intake.

And the last thing I'll say is that in that intergenerational report, the so-called "Big Australia", which is just nothing more than a series of projections, what is the immigration assumption? One hundred and eighty thousand? That is, the same as under John Howard over that period, the historic average. And what's Tony Abbott ... he says, 'no, that's too much, we're going 170'.

SHANAHAN:

So, Minister, and I think we do require a flexible immigration program. We're obviously facing constraints, as you say, and so the difficulty will be projection of 35 million by 2050, which Julia Gillard has rejected as a figure, as a target, will in fact be reached, won't it? Under these intakes.

EMERSON:

Well, it depends who's in government between now and 2050. It really does, because if Tony Abbott is in there will be a cut in the immigration intake, there will be acute inflationary pressures, there will be higher interest rates because of the workforce shortages. This is really important because it means that the living standards of average Australians, including those in

the outer western suburbs of Sydney, will fall because of higher interest rates. The budget is all about easing those capacity constraints.

People, skills and infrastructure: we're doing all three, and that's the responsible thing to do while bringing the Budget back to surplus in 2012-13 - to take that pressure off inflation and therefore off interest rates, too. That's the coherence; that's the story of the Budget, and Tony Abbott would wreck it.

VAN ONSELEN:

All right, Craig Emerson, we are out of time. We appreciate you joining us on *Australian Agenda*. Thank you.

EMERSON:

Thanks a lot Peter. Thanks Paul. Thanks Dennis.

