



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

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WHITNEY FITZSIMMONS:

Well, recent trade talks between Australia and India have launched an initiative to develop two-way trade between the two nations. If successful, it's hoped that the deal will put... add more than \$40 billion to each economy.

To look more closely at how the talks will unfold and what opportunities will emerge from them, I spoke earlier to Craig Emerson, the Federal Minister for Trade.

Craig Emerson, welcome to the program.

CRAIG EMERSON:

Thanks for having me on the program.

FITZSIMMONS:

Now, what are the specific sectors of opportunity in this two-way trade deal with India?

EMERSON:

Right across the board. India is a rapidly growing economy, a population of more than

1.25 billion people. We've got 23 million in Australia. And the current Prime Minister, Prime Minister Singh, was the Finance Minister in 1991 when they began a process of opening up the economy. That's unleashed enormously powerful forces. So, they've been growing at about 7 per cent per annum during the 2000s - very, very strong growth.

Lots of people; rising middle class: so, obviously, traditional commodities - increasingly food because India will be looking for food security - mineral commodities to feed the industrialising processes and urbanising processes. And, of course, our service economy, which is going to be very important in the future, not only in Australia but in the relationship with India.

FITZSIMMONS:

Just on that food topic: what about the tariffs, the massive tariffs that India, you know, has on food and agricultural products that go in there to shield their own farmers? Is the Government going to have to make concessions on that?

EMERSON:

Well, we will be looking for reduced tariffs; hopefully, at least in some lines, elimination over time.

FITZSIMMONS:

Because it was a major sticking point in the Doha talks.

EMERSON:

Oh, sure, and it continues to be. I'm heading off on Wednesday to try to get more life into those Doha discussions in the multilateral environment. But with our two-way relationship with India, I think food security is going to be an issue for India and other countries of the region. The more they seek self-sufficiency in

one type of food, that's less land available for another type of food.

Interestingly, we're a major exporter of chick peas to India, and so that's a source of protein in Indian food. So, there are boundless opportunities, and I think we have under-tapped the potential over this period since 1991. And this agreement's called a Comprehensive Economic Cooperation Agreement, so it goes beyond the traditional trade deal to include investment. And I've been in India recently. You know, the Indian business community says, 'wow, Australia avoided recession - we're really interested in investing our funds in Australia, and also as it's been brought into Asia'. So enormous opportunities.

FITZSIMMONS:

That brings me to my next point. My understanding is the talks were largely pushed by New Delhi. Has Australia's relationship with India suffered because there's too much focus on China?

EMERSON:

Oh no, I don't think so. In fact, there was a joint study commissioned, and from the Australian point of view, we indicated that yes, we were interested in the beginning of negotiations. And then in India, they've been going through their processes, and ahead of Minister Singh's visit ... sorry, Minister Sharma's visit to Australia, they were able to go through their cabinet processes and Prime Minister Singh personally was involved in saying 'yes, we're going to initiate these discussions with Australia'.

So it's a two-way relationship with two-way enthusiasm.

FITZSIMMONS: It's hoped that you will double two-way trade within five years. Is that really achievable?

EMERSON: I think it is. A lot of it in the short term is likely to be growth in minerals, in commodities. I think our single biggest export at the moment is gold, but that's going to broaden. We're a big exporter of hard minerals, but that will diversify over time as well. And I think...

FITZSIMMONS: What about the education sector, because it did...

EMERSON: Yeah, look, it's really important.

FITZSIMMONS: ... it did suffer, you know, because of those issues that we saw, you know, between Indian students and things like that. So ... and also the high Australian dollar.

EMERSON: Yeah, that's fair comment. But the good news is most of that's behind us and now there's this sort of re-engagement at a very high level on education exports, if you like to call them exports. I like ...

FITZSIMMONS: So, you're confident that those tensions between Australia and India are finished?

EMERSON: I am. I am. And I know that, as Deputy Prime Minister Julia Gillard went to India at that time and helped reassure the Indian people and the Indian government. And, as a result of that, there's, as I say, a re-engagement at very high levels. Of course, the Australian dollar's an issue when it's at US\$1.07 or US\$1.10.

But I did talk about education exports...

FITZSIMMONS:

How will you get over that issue?

EMERSON:

Well, I think we just need to be very competitive, very welcoming and make sure that we've got quality. You know, if it's just a matter of price, you can go to the cheapest place on earth. But if you haven't got quality, people aren't going to go there. And what we want to do is ensure that our education services that we provide are of the highest quality, have the greatest and strongest reputation; then Indian students will say, 'that's the place to be', notwithstanding the level of the dollar.

And that's the challenge with all these things. More generally for Australia with a high dollar, we want to go the high road, the high skills and high wages - and that's how you get over the top of the high dollar.

FITZSIMMONS:

Analysts are estimating that it's about \$40 billion to each economy that it could add. Is that the number you're looking at?

EMERSON:

Yeah, look, that is the result of some economic modelling. I'm an economist myself, but I think too much emphasis is placed on abstract economic modelling. This modelling essentially assumes complete free and open trade and investment. I think the reality is that we as governments can pave the way, remove some of the impediments, provide encouragement. But in the end, it's businesses, and they are the ones who make the decisions.

And at the launch of the Comprehensive Economic Cooperation Agreement negotiations, we were joined by two CEOs

representing a CEO forum - and on our side, it was Lindsay Fox. And it's those businesses that will make this work, not an economic model.

FITZSIMMONS: Now, we mentioned Doha before. It's stalled for quite some time. It's very, you know, difficult negotiations...

EMERSON: Yes, since 2008, really.

FITZSIMMONS: That's right. And trade negotiations are known to be difficult.

EMERSON: Yes.

FITZSIMMONS: So how confident are you that this ... these negotiations with India will yield a result, and what sort of timeframe are you looking at?

EMERSON: Oh, I think that's a very good question. And starting negotiations is one thing; finishing them successfully is another. And we just have to do our very best and have a look at the outcome of those negotiations, but...

FITZSIMMONS: What's the timeframe?

EMERSON: ... there is momentum here in that the first negotiation round will be in late-June; so just around the corner. I'd love to be able to tell you when the last round is going to be ...

FITZSIMMONS: [Laughs]

EMERSON: ... but that's up to us again.

FITZSIMMONS: What's your anticipated ... what would be your wish list?

EMERSON: Look, I would hope within a couple of years we could have this nailed. They do take time because, as much as anything, when the asks of each side are lodged, then that side who's receiving these requests has to go through their own processes, through their own ministries, their own bureaucracies. And let's not underestimate the complexity of that. So ...

FITZSIMMONS: Do you...

EMERSON: ... we're under no illusions that it's a complex task. But I don't want it to just go on into the never-never saying, 'look at us, look at us, we're negotiating a free trade agreement'. I think we're better getting in, getting the work done, broadening it beyond a conventional free-trade agreement to be investment, people movement through students and that sort of thing so that it's a really deep and rich relationship.

FITZSIMMONS: Minister Emerson, we're nearly out of time, but I just want to mention the tariffs. Are there any other sticking points that you could see may crop up in these negotiations?

EMERSON: Oh, India has been opening up but it still has restrictions on foreign investment and foreign equity limits, those sorts of things. So they're important. India will regard some of our impediments as, you know, valuable in terms of trying to reduce those.

But we won't really know until we get down into the nitty gritty. But both sides see that there is potential through reducing barriers to two-way trade and investment.

FITZSIMMONS:

All right, Minister Emerson, we'll have to leave it there. Thanks for joining the program.

EMERSON:

Okay, thanks a lot.