



**THE HON DR CRAIG EMERSON MP**  
MINISTER FOR SMALL BUSINESS, INDEPENDENT CONTRACTORS AND  
THE SERVICE ECONOMY  
MINISTER FOR COMPETITION POLICY AND CONSUMER AFFAIRS  
MINISTER ASSISTING THE MINISTER FOR FINANCE ON  
DEREGULATION

Transcript  
Sky News AM Agenda with David Speers  
25 May 2010

E&OE

---

*Subjects: Relationship with Israel, Resource Super Profits Tax.*

---

**SPEERS:** Welcome to AM Agenda. As mentioned, there is a political divide opened up now over Australia's relationship with Israel. The Opposition has condemned the Government for expelling and Israeli diplomat over what it says was the forging of four Australian passports allegedly used in the assassination of a senior Hamas leader in Dubai.

The Opposition says this is an overreaction, Australia should not be going this far. To tell us more about just where the two parties now stand on the relationship with Israel, we're joined by our panel of politicians this morning, the Small Business Minister Craig Emerson and the Shadow Attorney-General and Deputy Liberal Senate Leader George Brandis with us this morning.

Thank you both for joining us.

George Brandis, I might start with you. Stephen Smith just earlier telling us that in no way is this related to Australia's bid for a UN Security Council seat. The Government is not just trying to curry favour with other Arab states by expelling this Israeli diplomat.

Do you buy that, or do you seriously think that the Australian Government is jeopardising relations with Israel to win a Security Council seat?

**BRANDIS:** Well, I think it's a reasonably notorious fact that the Rudd Government has been currying favour for the purposes of this Security Council bid for a long time, and I think that's affected Australia's foreign policy in a variety of ways.

Now whether, on this particular occasion, that was an influence, I'd make no comment. But there is a distortion in Australia's foreign policy as seen in the way in which we vote in the General Assembly, which is driven by this currying of favour with a number of third world countries, including the Arab states. So I wouldn't be surprised.

Can I address the broader issue please, David? I am of the view - and this has been said by a number of Opposition spokesmen commentators in the last 24 hours - that this is a terrible overreaction. It pays no heed to the fact that Israel is a very strong ally and friend of Australia. Israel is the only functioning liberal democracy in the Middle East...

**BRANDIS:** ...and I think Australia really ought to give a country which is a strong a friend of Australia the benefit of the doubt.

**SPEERS:** But Israel has also treated Australia appallingly if they have indeed faked these passports, haven't they?

**BRANDIS:** Well, the fact that you sort of caveat your question by saying, well if that's happened, well, has it happened? As Julie Bishop said...

**SPEERS:** Well. we haven't seen the evidence; I haven't, you haven't.

**BRANDIS:** Indeed. And the Parliament hasn't. Now, Mr Smith made a statement in the House of Representatives yesterday. One would have thought that on an occasion like that he would have produced or at least referred to evidence, even if it was...

**SPEERS:** Seriously, national security, intelligence information?

**BRANDIS:** Let me finish - even if it was national security information that wasn't suitable to be released in public, at least he would have referred to the fact of the existence of it.

**SPEERS:** He's essentially doing that.

**EMERSON:** He did, he did.

**BRANDIS:** Well, not to our satisfaction because nothing...

**EMERSON:** Nothing could satisfy you.

**BRANDIS:** Well, it would take, Craig, to be honest, when we are dealing with a country, a fellow democracy with which Australia has

always enjoyed a very strong relationship, it would take a lot to satisfy me before we took a step this grave. I mean, expelling a diplomat is indeed, in the hierarchy of diplomatic language, is a reasonably serious step to take.

Why wasn't there a more modulated response? Let's assume that the Government...

**EMERSON:** [Indistinct]

**BRANDIS:** Let's finish on this point Craig. Let's assume, as we must, that the Government was satisfied that there was sufficient cause to take action against Israel. Why wasn't there a more modulated response? Why was there such an extreme response?

**EMERSON:** The response was appropriate in the circumstances. And the circumstances are very dire in the sense that Israeli authorities, agencies, have fabricated Australian passports.

**BRANDIS:** That's the position of the Australian Government.

**EMERSON:** That is a direct challenge to Australia's sovereignty. It is not the action of a friend. We take this action more in sorrow than in anger, and we look to rebuilding the relationship.

But you can't just turn a blind eye, as Tony Abbott has wanted to do, to such a serious action.

**SPEERS:** Well, let...

**EMERSON:** And okay - can I come - just spend a little time here?

The UK Government and the Opposition at the time took exactly the same action. Was that because they were seeking Arab favour and currying favour for a spot on the Security Council?

**SPEERS:** And as Stephen Smith pointed out, the new foreign secretary in the UK, he spoke to him last night.

**EMERSON:** Exactly, the Conservative Minister supported the position when they were in opposition. This is an outrageous slur. It is just another example of Tony Abbott and now Julie Bishop displaying erratic behaviour.

**SPEERS:** Well, let's just...

**EMERSON:** And it is just a risk to Australia's sovereignty to have these people saying we'll turn a blind eye to this sort of activity back in Australia.

**SPEERS:** George Brandis, if you did accept that there was the evidence or enough supporting advice to conclude that Israel did this, what should the reaction have been?

**BRANDIS:** We say that if - we must take it that the Government did reach that conclusion, by the way. So that's why the Opposition has concentrated on the appropriate level of response. The Opposition's view is that a reprimand would have been a more appropriate diplomatic response...

**SPEERS:** What does that mean?

**BRANDIS:** ...in particular - well...

**EMERSON:** A slap on the wrist?

**BRANDIS:** It's quite common for a foreign minister to call in the ambassador. In fact, that was done earlier in this episode.

**SPEERS:** Would that stop Israel doing this again in the future, because it's not the first time they've done this?

**BRANDIS:** Well I come back to the point, David, that I want to emphasise that the Coalition at least regards Israel as a friend of Australia.

**EMERSON:** So do we.

**BRANDIS:** I'm sorry to hear Craig say, as you did just before, Craig, that this is not the action of a friend.

**EMERSON:** It's not.

**BRANDIS:** As far as the Coalition is concerned, Australia is a friend of Israel.

**EMERSON:** George's position's just changed. He said, well, where's the national security advice? Okay, it needs - it could be diluted but it should have been presented in the Parliament. Then in the next breath he said, we take it as given that this finding is real, this finding is true.

**BRANDIS:** No, that's not what I said.

**EMERSON:** It is. It's a different position.

**BRANDIS:** That's what I...

**EMERSON:** George is saying we accept...

**BRANDIS:** Excuse me Craig, please don't verbal me. What I say is that...

**EMERSON:** You're verballing yourself.

**BRANDIS:** ...what I say is that we must assume, we must assume that the Government didn't do this for no reason. That's my point and let's just be...

**EMERSON:** Well Julie Bishop thinks we did it...

**SPEERS:** Hang on. Let's just be clear here, let's just be clear...

**EMERSON:** ...we did it to curry favour with Arab nations.

**SPEERS:** Let's just be clear. George Brandis, are you saying you accept the Government's verdict that Israel did this or not?

**BRANDIS:** No, we don't accept the Government's decision. But what I say is that one must assume that the Government made this decision for a reason that seemed appropriate to it. Now, whether that was a good reason, what the motives were, the extent to which the decision was influenced by collateral issues like the desire to curry favour with third world countries is something about which the Opposition...

**SPEERS:** The point is the Government's made this decision now Craig, and there are other examples of this Government taking a tougher line on Israel than the previous government did. Are you comfortable with the Rudd Government being, not anti-Israel certainly, but taking a tougher line and jeopardising this important relationship?

**EMERSON:** We have a very strong relationship - we have a very strong relationship with Israel. That will...

**BRANDIS:** Not as strong as it used to be, Craig.

**EMERSON:** Well, that's the point. It may have suffered a setback indeed...

**BRANDIS:** From your hands.

**EMERSON:** ...from the forging - no, at the hands of those who forged the passports. At the hands of those who forged the passports.

**BRANDIS:** Can you imagine what - can you imagine what Jewish Australians sitting listening to Sky Agenda this morning hearing you say that must feel?

**EMERSON:** I reckon Jewish Australians would say this: It's not right for any country to forge anyone else's, any other country's passports.

**BRANDIS:** Do you know what I think Jewish Australians would say? They would say, we would have expected a little less censure and a little more support from a government that's meant to be a friend.

**EMERSON:** We support the people of Israel, we do not support the forging of passports.

**SPEERS:** Isn't there an argument - is there an argument that Israel...

**EMERSON:** And you do. You condone the forging of Australian passports. You condone it.

**SPEERS:** Craig Emerson, is there an argument. Craig Emerson, let me just ask you a question...

**EMERSON:** Tony Abbott said before - now listen. Before this decision...

**SPEERS:** Can I just ask a question?

**EMERSON:** ...before this decision was made, before this decision was made, Tony Abbott said they should not take any action. He pre-empted the very review that George is now commenting on, saying, well the Australian Government, you know, must have had information. Before that was even conducted, he said no action should be taken.

**SPEERS:** I do want to ask about the Government's position here. Are you saying that the Australian - are you saying there is any sort of argument or not that Israel is a special circumstance, that it is threatened on all borders, that it sometimes does have to take action like this?

**EMERSON:** Not forging other countries' passports.

**SPEERS:** Not in any circumstance?

**EMERSON:** No. I don't see any circumstance to forge another country's passport.

**SPEERS:** George Brandis what about you?

**BRANDIS:** Well, I'm not saying that. I think that what's implicit in your question though, David, is that Israel finds itself in a very difficult position strategically. It is like, as I keep saying...

**EMERSON:** And we accept that.

**BRANDIS:** ...the only liberal democracy in the Middle East and it needs to be supported and it needs to be given the benefit of the doubt.

**SPEERS:** Is there ever any excuse for this sort of behaviour?

**BRANDIS:** Well, the Opposition doesn't condone that behaviour, if indeed it occurred on this occasion.

**SPEERS:** Okay, let's move on to another issue, which I'm sure you'll be in full agreement on - the mining tax. The debate so far this week with Parliament back has focused on how much tax the mining companies currently pay. There's been some figures bandied around by Wayne Swan and Julia Gillard over the weekend based on some university research in the United States.

Now, even the author of this research, Douglas Shackelford, a tax professor from the University of North Carolina, says, and I quote: "The paper is in draft form and likely will undergo additional revision before publication in a peer review journal. The paper's usefulness in formulating policy for one sector in one country should not be overstated". It was silly to use this information, this paper, wasn't it?

**EMERSON:** Well, actually, the figures are consistent with the Treasury economic roundup which was released last night that suggests that over the decade to the middle part of, about 2005, the average tax rate paid by the mining industry was 17 per cent. And that same Treasury roundup...

**SPEERS:** Yes, but the figure used by Wayne Swan and Julia Gillard was 13 per cent and 17 per cent.

**EMERSON:** Look, we can debate the methodologies, we can debate the methodologies.

**SPEERS:** Well, it's a number, not a methodology.

**EMERSON:** Well, that's why you get the different numbers; different methodologies produce different numbers. But they produce this conclusion – that the mining industry can pay more tax. There's been a major development in the last decade in this country and around the world. It's called the China boom. And when profits go up, the Australian people deserve a fair share of those increased profits associated with the development of a non-renewable resource which is the property of the Australian people.

**SPEERS:** But you could argue that other sectors - I mean I've got this Treasury advice you talk about right here and it does say that the mining industry pays on average, it faces an average tax rate of about 12 per cent lower than the average tax rate...

**EMERSON:** Lower, that's right, 12 per cent lower than the others.

**SPEERS:** ...across all industries. But look, so do other sectors.

**EMERSON:** But there's a special feature of the mining industry, and that is non-renewability of the resource. The China boom, the very large profits, and it's not only - there's many in the mining

industry accept that they should pay more tax. Many in the mining industry...

**SPEERS:** But they're using a globally competitive market here where they're trying to compete against the likes of Canada, Russia, South Africa who do have lower taxes, particularly after you introduced this new 40 per cent mining tax.

**EMERSON:** Well, the fact is the Australian people deserve a fair share and the mining industry itself mostly - mostly - accepts that they should be paying more tax. Don Voelte yesterday from Woodside, a range of economists have come out, the Minerals Council of Australia actually said there should be a profits-based resources tax.

**SPEERS:** Well George Brandis, do you think the mining industry's paying a fair share of tax?

**BRANDIS:** Yes, I do, yes, I do. And at the start of that very long exchange between you and Craig, David, we got a new version of the Labor Party's tax policy which is when, according to Craig, when industries become more profitable, they ought to be hit with higher taxes. I mean...

**EMERSON:** Non-renewable resources owned by the Australian people. Non-renewable resource rent.

**BRANDIS:** You didn't confine yourself to...

**EMERSON:** We're talking about non-renewability of resources.

**SPEERS:** Back to the question about how much tax the mining industry currently pays. If they are paying a fair share, you just said they are...

**BRANDIS:** I believe they are.

**SPEERS:** ...why then are state governments, including the West Australian Liberal Government, increasing taxes?

**BRANDIS:** Well, I'm not going to be a commentator on that, excuse me - on what the Western Australian Government does. But the point I'm at pains to make is this; you've got the Australian Government with all the resources of Treasury, the ATO and all the other economic agencies of the Government, constructing a policy based on a graduate research paper written by an American university student...

**EMERSON:** Treasury economic modelling.

- BRANDIS:** ...who was so well informed that he bracketed Australia and New Zealand together as the same nation compared to the figures that the Opposition...
- SPEERS:** The Treasury modelling to show that they do pay on average 12 per cent less tax...
- BRANDIS:** May I respond, please? What the Opposition also released yesterday, the Australian Taxation Office figures, which disagree with the so-called Treasury modelling based on the graduate student's research paper at the University of Carolina, which shows that the mining companies pay on average 27.8 per cent in tax before royalties and 41.3 per cent after royalties.
- SPEERS:** Quick response from Craig.
- EMERSON:** If mining companies, according to the Liberal Party, should not pay any more tax, right, that's their proposition...
- BRANDIS:** ...position is just about right.
- EMERSON:** ...should not pay any more tax, so why are they applying a 1.7 per cent tax increase on the mining industry and all other companies through Tony Abbott's great big new tax on everything to try to pay for his paid parental leave scheme?
- BRANDIS:** Craig, you're saying a 40 per cent tax.
- EMERSON:** You say it's 'just right'. Hang on, you just said it's 'just right'.
- BRANDIS:** It is about right. You're...
- EMERSON:** Oh, 1.7 could be tolerated because it's the Liberal Party 1.7 per cent.
- BRANDIS:** Craig, wake up and smell the coffee, 1.7 per cent is very different from 40 per cent.
- EMERSON:** You said it's right, now it's not right.
- BRANDIS:** Forty per cent. You want to impose the highest taxation regime in the world on Australia's most prosperous...
- EMERSON:** That's to pay for the small business tax breaks, company tax rate reductions and superannuation for working Australians. We think all three are worth it.
- SPEERS:** We're going to have to wrap it up and let you go and have this argument in Parliament. I'm sure it will be a fascinating day. Craig Emerson, George Brandis, thank you both for joining us.
- EMERSON:** Thank you, David.

**BRANDIS:** Thank you, David.