



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

Transcript
PRESS CONFERENCE
2 AUGUST 2011

E&OE

Subjects: China 2.0 trade mission, agricultural investment, Doha Round, food security, Syria, US debt ceiling vote, asylum-seekers, Gillard Government reform.

CRAIG EMERSON:

Can I take this opportunity to outline the business delegation that I'll be taking to China tomorrow. It's a delegation of more than 100 Australian business men and women. I will make this bold assertion, unless proven otherwise, and that is it's the biggest business delegation to leave our shores. If you can find another one, let me know and I'll humbly clarify the situation. But certainly is the biggest delegation that anyone can remember.

It's been a tremendous response to an initiative undertaken originally by the Foreign Minister, Kevin Rudd, who asked me if I would support him in eliciting the interest of business people around Australia, where we did various presentations. And that has been very successful.

I was able to participate in a couple of those, and by and large there were well over a hundred, and up to 300 business people at each of those presentations.

So, this has all the hallmarks of both an ambitious delegation, and I would hope and expect a successful one.

The rationale for it is this: that Australia has, through the visionary leadership of Coalition and Labor leaders over the years, established itself as a very reliable supplier in meeting China's resources and energy security needs. But we are in the process of, while continuing to expand that relationship, also diversifying it.

The Chinese Government is very keen to increase its own emphasis on the service economy. And, indeed, as part of its very substantial refocusing under the five-year plan, it's promoting domestic consumption as the new growth model for China, which has got obvious benefits for Australia in terms of our service industries - and obvious benefits for China. And, after all, that's the reason they're doing it: in order to spread the benefits of growth more evenly and further into the Chinese countryside.

So, here's a great opportunity for Australia to put our best foot forward in high-end service exports, including logistics, architecture, clean energy, wealth management, education, and of course, tourism. And that's what we will be doing.

And, it's also clear to us that provincial governors and mayors are very keen on this. So, rather than simply going to Beijing, we are going to a range of provincial areas and the cities in those. And I'll just take you through very quickly, through those cities: Guangzhou in Guangdong Province. Guangdong province has a population of 113 million. Changsha in Hunan Province - that province has 69 million people.

Wuhan in Hubei Province: that has 61 million people. Chengdu in Sichuan Province, where there are 89 million people.

Chongqing, which has had 29 million people. And then we'll finish with Shanghai.

So six cities in about as many days. It's an ambitious program, but we are excited by the level of interest. I'll now be accompanied by Parliamentary Secretary Richard Marles because, of course, this is a very big task.

So, I think I might leave it at that in terms of the rationale and purpose, and be very happy to take any questions that you might have.

QUESTION:

Who are some of the names of business people in terms ...

EMERSON:

I'll get you those. What we have is - and I'll get you a full list; I'm very happy to do that. Essentially, some of our largest companies and the CEOs of our, if you like, very large service industry companies, in the financial services for example, they're not generally represented: the big banks, at the CEO level. But they'll be represented by the manager who has responsibility for China for the region. So I'll get you a full list; I'm happy to do that.

QUESTION:

Are you hoping to attract much in the way of foreign investment from China? And if so, how do you counter the messages that have been coming out in Australia about, you know, reticence concerning offshore investment?

EMERSON:

Look, this is primarily a way of integrating our service economies, but we're looking at trade and investment into China obviously. If the Chinese have interest in investing in our service industries, we'll be very keen to do that.

In terms of perceptions about investment by China in Australia, I'd simply point out this statistic: that since 2007 there have been 181 - sorry, 180 applications - by China to ... for investment projects in Australia. All 180 have been approved - six of them with conditions.

I think maybe you're alluding to the area of agriculture, and that's not the focus of this. But I have a very intense interest, a very intense interest in working with the Chinese authorities in respect of agriculture - us supporting agricultural development in China - and obviously our trade relationship with China in respect of meeting its food security needs, given that we've been so successful in meeting its resource and energy security needs. We have an opportunity here.

But that has to be managed properly and we need to deal with those public perceptions. And all ... obviously, and in so doing, separate myth from reality. And that means providing more information, a process which is underway where as you'd be aware, Bill Shorten has some work underway in determining just how much investment there is in rural land in Australia by other countries

QUESTION:

In the cont... sorry, in the context of food security, will you be talking to Chinese people that you meet and encouraging them to get behind at the next G20, the resumption of the Doha Round?

EMERSON:

Absolutely, and I have to express to you, in all honesty, some real frustration ... exasperation about the ... this low level of political commitment around the world to the completion of the Doha Round.

I think what's happened over the years, given that this has been going for more than a decade, is people are more comfortable with the word "no" than the word "yes". And when I propose particular ways of breaking the impasse, I have no shortage of people at the officials' level, at least in Geneva, saying 'no, here are the reasons why it can't be done'.

I think somehow we need to change the incentive structure to elicit from those people, and more broadly around the world, the word "yes" and how it can be done.

But we're in the no zone at the moment, and what we need to do is find a way ... a pathway through to the yes zone.

QUESTION:

China would be on board with you, though, wouldn't they?

EMERSON:

China has actually been expressing support for both the down-payment on the Doha Round by the end of the year and the successful completion of the Doha Round; other countries have, too.

And the task is to seek to convert those indications of support at the political level into practical measures to keep that Doha Round alive and moving, both through a down-payment towards the end of the year, if that was possible, and alive and breathing and moving into next year and beyond.

QUESTION: You said earlier in the year that you thought that the issue of food security and its effect on genuine physical security could be a motivating factor in convincing nations that they need to move to free-er trade.

EMERSON: Yeah.

QUESTION: Have you been putting that argument around the place? And is that ... are you in the no zone on that one as well?

EMERSON: I have been putting the argument around the place, both through the forums that we're discussing right here now - that is in Geneva, through the World Trade Organisation. I think it's also true that is on the agenda for the G20 meeting. I'd like to see that lead to a very real and practical discussion about how to secure food supplies in the first half of this century as we move to a much bigger world population.

And you will not be surprised to hear from me, the policy prescription to doing that is to liberalise trade. Because if you liberalise trade, then the market will seek out the most productive places on earth for food. And then that, then, leads to more food at lower prices, which is exactly what those who want food security are after: more food at lower prices. That's what trade can deliver.

QUESTION: Mr Emerson, leaders meeting after leaders meeting around the world has declared that the Doha Round is vital and should be concluded this year. There seems to be a complete disconnection between the leaders and the process. Why is that? And are leaders simply paying lip service to the Doha process, and what can be done about it?

EMERSON:

I think to a significant extent, it comes from domestic constituencies. I think we are now in an economic recovery phase globally, as weak as that recovery might be. And there's an irony here in that it is true that during the global recession, governments at home were able to resist protectionist pressures; they were able to. And that was a great triumph.

But what a perverse outcome it would be that if during the recovery phase, governments were not able to resist protectionist pressures. And one way of looking at this could be that during the recovery, constituencies are saying to their governments, 'where are the jobs during this weak recovery?'. And, therefore, you get pressure to protect existing jobs, and then hopefully create more jobs.

But through the very act of protecting existing jobs, if governments were to succumb to that, you're going to have fewer jobs created overall.

QUESTION:

What process ... how can that be delivered? I mean, what can you ... what can Australia do to find some mechanism for connecting political leadership with this process?

EMERSON:

Well, we are regarded, as a nation, as a friend of the system; by which I mean that it is clear from my discussions with my counterparts around the world that people regard Australia as being very credible in all of this. And a pleasant surprise to me, as Trade Minister, is the number of times that other ministers of ... trade ministers of much larger economies turn to Australia and ask for our advice.

We're also seen to be honest brokers between different sides because we're not approaching these

issues so much with trying to protect our own industries. We've had 30 years of reducing protection, sensibly, and in a gradual and measured way.

All I can do, Geoff, is put it in these terms: perseverance. We've got a Prime Minister who's absolutely on side for all of this. She has given me every authority. And whenever she has an opportunity to raise these matters with her counterparts, she takes that opportunity.

QUESTION: Is she protecting you against the left faction? Doug Cameron often ... well, he complained about the trade statement you made a month ago.

EMERSON: Well I...

QUESTION: He [indistinct] you.

EMERSON: I have broad shoulders and I'm not afraid of debate. And I think, by and large, people like Doug Cameron conduct that debate in a pretty reasoned way. That is, Doug and I don't have the same view on trade liberalisation, but we're still friends. We can still have a conversation, and I think that's important in any political party to be able to maintain those communications and some respect between us.

And it's not just Doug; there'll be other people with views such as Doug. That has always been the case. During the Hawke-Keating era, I can report to you that there was not 100 per cent support for trade liberalisation.

QUESTION: Dr Emerson, with your acting Foreign Minister hat on, I mean, how important will it be for Australia to actually

secure some back-up options with the Malaysian, Papua New Guinean or other governments on asylum seekers, so that when the quota - if it fills - that there are other options out there.

EMERSON:

Well, the 800, as you know, started from a couple of days ago with the signing of this agreement. And when you look at the proposition that the people smugglers now have to put to their potential clients, it is now this: leave your country of origin, go to another country; usually, take a flight to Malaysia. Go from Malaysia to Indonesia, get on a boat, risk your life, go to Australia and then go back to Malaysia. That's not a very attractive model.

So, when we are talking about what happens after 800, I think that there is a very heavy deterrent now in place for people arriving by boat. That's the whole point of it. And that's what we're focusing on.

And let me say this: there should be no doubt in the minds of people smugglers about the resolve of this Government to break the people smuggling model, because we do not want to see people taking a risky journey; risking their lives; losing their lives, as happened before Christmas. We want to see an orderly immigration program in this country and we are determined to smash that people-smuggling model.

QUESTION:

The quota to filled then in your ... you don't expect that quota to be filled for...

EMERSON:

Well, I'm not going to prophesise about these matters. It's not my portfolio. But I'm simply saying this: that the proposition, as of the date of signature, by the people smugglers to their potential clients is a very bad

proposition: that people end up from whence they came.

QUESTION: So you...

EMERSON: Having paid, what, \$10,000 to \$15,000 for the privilege of taking a very risky, life-threatening journey.

QUESTION: So you don't expect to have any talks with ... further talks with Malaysia on an extension of the quota, or with Papua New Guinea, or with any other nation while...

EMERSON: Well, I understand that there are discussions with Papua New Guinea and I think you're aware of those. But in terms of the Malaysian deal, we have settled that deal.

QUESTION: How important is it that the current ... the recently intercepted boatload sent to Malaysia ... and how important is it that the Government take [indistinct] approach to it as part of discouraging ...

EMERSON: It is important and they will be sent to Malaysia. That is, that we will be sending people who arrive, including the most recent arrivals, after the date of the agreement to Malaysia. And we will be doing so in ... such that others will see that it is a very bad proposition that is being put to them from the date of agreement by people smugglers.

QUESTION: Are you comfortable with the decision of or photographs of [indistinct]...

EMERSON: Well, it's not a voluntary arrangement. We're not saying to people who arrive by boat, 'what would you prefer: to stay in Australia or go to Malaysia?'. We're saying, 'if you arrive by boat, you're going to Malaysia'.

QUESTION: On a different matter, Australia was very vocal with Libya when Qaddafi started slaughtering his own people in saying that he should be overthrown and there should be a no-fly zone.

The same thing's happening in Syria now.

EMERSON: That's right.

QUESTION: When is it time for us to make similar calls?

EMERSON: Well, we have repeatedly condemned Syria's brutal crackdown on peaceful protesters. We've seen further evidence of that brutality just the other day.

I'll take you through a number of measures that we've pursued. We've called on the UN Security Council to adopt a resolution on Syria calling for an end to the violence, and to consider referring the situation in Syria to the International Criminal Court. Now, that's a pretty strong statement from Australia, and I know the Foreign Minister, Kevin Rudd, is very encouraged by the creation of an international criminal court. So, it's not just res... you know, the passing of resolutions.

We've encouraged UN Secretary Ban to consider appointing a special envoy on Syria to clarify and report on developments there. And, obviously, we've been active in the UN Human Rights Council and co-sponsored a resolution there requesting the Office of

the High Commissioner for Human Rights to dispatch a mission to Syria.

So, we are not, in any way, equivocal about this. We are fulsome in our condemnation of what's going on in Syria, and we'll continue to press that with every means available to us.

QUESTION: So we won't in the foreseeable future be calling for the [indistinct] of the President or for, you know, as I said, a no-fly zone, or we're out ... we were very much out in front with Libya, but...

EMERSON: Sure. And, well, we were ... that's right, in relation to Libya, but we were doing it with our allies and we'll continue to work with our allies. But please be assured that we are, you know, absolutely appalled by what's going on in Syria; just as we had been, and continue to be, with what's been going on in Libya.

QUESTION: Just back to China, you talked about the myths in the public debate about Chinese purchases of agricultural land in Australia. Nevertheless, there is a great deal of public anxiety on that. It's ...

EMERSON: Sure.

QUESTION: What would you say to people who are anxious about it?

EMERSON: I was actually talking about myth versus reality, and there are some realities, and that is, it is not unknown that Chinese companies have bought land. It's on a very small scale at this stage. In fact, there have been some land purchases from other countries.

And, indeed, if you look at the foreign investment profile of Australia since ... Australian agriculture since European settlement, you'll see a very heavy dominance by large foreign investors in purchasing land in this country. Very much so by the United States, for example - purchasing and then re-selling, you know, when they decided to get out. So, this is not a novel phase, is what I'm saying.

In terms of China and food security, I think that there are many ways of approaching this issue. It doesn't mean that China, in order to attain food security, needs to own large tracts of land in Australia. It doesn't own all of the minerals in Australia. Well, actually, the people of Australia own the minerals. But they [the Chinese] don't own all of the mines.

But China has been able to be comforted in the knowledge that over a quarter of a century, through some investment in mines, some economic integration, that it is a little bit beyond just buying and selling, but there is some investment.

I think that there is opportunity for Chinese investment in some agricultural businesses in Australia. We've seen, for example, that in relation to the CSR, which used to be the Colonial Sugar Refinery, there were two real bidders for that - one from Singapore, one from China. The Singaporean won, because it put in a better offer.

I think China has just - a Chinese company, I'm sorry - has just acquired the Tully sugar refinery. So, these sorts of things are happening. They're not happening on a massive scale. But it's a sort of ... I think there's a model based on what's happened with minerals and energy security that could be considered. But it needs

to be considered on the basis of facts. And that's why I'm aware as anyone else ... aware as anyone else that there could be perceptions that don't match up with reality.

It's a role of government and business, and anyone else who has, you know, good intent to separate those facts and explain them to the Australian people.

QUESTION:

Minister, the spin coming out of the press secretarial ranks around the place is that the Prime Minister has done a great job in ticking off some of the big decisions, and that she's delivering on her self-announced year of decision and delivery, whatever it was.

How do you rate the Government's progress in terms of working through issues? And where do you think the - particularly with your background of being keen on economic reform - where do we go from here?

EMERSON:

You call it spin. I think genuinely it's just pointing to a period of delivery, when the Prime Minister indicated last year that 2011 would be the year of delivery.

If we look at the last month or so, what's happened in that time? We have released the details of carbon pricing. We have resumed the live cattle trade to Indonesia. It is true we suspended that, but in a period of one month we've put it on a sustainable basis. Now that's caused anxiety and it's caused hardship - there's no doubt about that. But having felt that we needed to suspend, we got it back on to a sustainable footing within a period of one month.

Tasmanian forests. This is an issue that's now been settled, ending 30 years of conflict in the forests of Tasmania. Then, of course, the Malaysian deal in respect of asylum seekers, where the Prime Minister said that she would be seeking to settle that matter. And today, health reform.

Now I reckon that's a very impressive result in terms of delivery. And I'd add this before getting to the second part of your question. When Julia Gillard became Prime Minister she said that she would go through proper processes. Now if you're going through proper processes and not engaging in spin and seeking to have an announcement a day then that takes time.

And I understand that then people were saying, 'well when ... where are these results, and when are they going to be delivered?' Five delivered within a month.

In terms of going forward, yes there is a need for ongoing economic reform in this country to lift productivity growth which ebbed away under the previous Government and has stayed low. And, in fact, by one measure, multi-factor productivity growth went negative in 2006 and has remained negative. This is a big challenge for our country and so is the other "P", lifting workforce participation.

On both fronts this Government has been working hard. And I won't take you through all of the measures, but just to indicate for example in terms of participation when the carbon price mechanism was released, a lowering of the tax-free threshold means the casuals and part-timers in that income range of up to \$18,200 have extra incentives to join the workforce or do some extra work.

In respect of infrastructure investment in this country, tax incentives were improved for infrastructure investment in the Budget where losses could be carried forward; in fact carried forward with interest. And more readily carried forward than in the previously more restrictive regime. That's important in lifting productivity growth; important in lifting productivity growth as in the enhancement of skills in this country and that was probably the centrepiece of the Budget that was brought down in May.

A big new investment in skills, but also reform of the way that skills training is delivered so it's more receptive to the needs of Australian business. Resource enterprise agreements are very important in our big resource projects to make sure there's some flexibility there. The disability ...

QUESTION:

Greater flexibility in industrial relations...

EMERSON:

Well, effectively, being able to bring in some ... some, you know, migrant workforce in order to make sure that there are not unwarranted delays in the building of those projects, because time is money in respect of those projects.

And the disability support pension announcement that *The Australian* put on its front page on Saturday, for example. Now each and every one of those is designed either to lift one of the P's: productivity, or the other P, participation. I think what we now need to do is bring it all together and continue that reform program.

QUESTION:

You ... your electorate I know is an area of some social disadvantage and I would imagine a fair level of people on disability pensions. Is it your view that many of the

people who vote for you can work if they are provided the right encouragement?

EMERSON:

I think they're - and that's exactly right, if they're provided the right encouragement. No-one wants in a civil society to traumatise people who are either incapable of working or in the case of some of my constituents, Matthew, who do want to get back into the workforce but lack confidence to be able to get in and work regular hours every day because they do have problems, right?

And if we can create a system which recognises that people might have physical problems or confidence problems or broader mental health problems then that actually leads to solutions where people are encouraged to engage but not in such a way that we were treating people with disabilities as if they didn't have any.

QUESTION:

Can I just ask you about the news out of Washington about the agreement on US debt ceiling. The initial reactions seem to be euphoric. I mean, after they've looked closely at the deal it's potentially short-term impact on America growth, markets have tanked. As Trade Minister and as an economist, what's your view on the prospects of the American economy now and what implications they might have [indistinct]...

EMERSON:

I think the prospects for the US economy are basically a recovery that is modest but not very, very strong. And one of the key reasons for that amongst others is the debt overhang.

And it is true that in the very short term by adopting a policy approach which is more contractionary through the debt-reduction program, you actually in a sense

detract a bit from the economy. But the whole purpose is to give more confidence to businesses that debt will be brought under control and so you can get a confidence effect.

Maybe - I'm not aware of, you know, of the movements in the stock market over the last couple of hours - but that confidence effect in that sense that the, you know, that the fiscal policy is heading in the right direction is what you're really after. And if you can do that I think that's more enduring and more beneficial, therefore, than the short term level of contractionary effect of the fiscal consolidation that they in the US now have to pursue.

QUESTION:

Minister, back to the trade delegation: could you outline what opportunities you see for Australian clean energy industries in China?

EMERSON:

Yeah, sure. In the sorts of cities that I'm talking about, there's no doubt again from discussions that I've had and also that Kevin Rudd as Foreign Minister has had, that mayors and provincial governors are being marked if you like, or assessing their own performance, against their capacity to not only urbanise but to urbanise in a way that is environmentally sustainable.

When I was in China last it was at the invitation of my counterpart Minister Chen Deming, and it was the Third Congress on Services, and he asked me especially to go to that. I was one of only two foreign trade ministers or international ministers at that conference, and a very substantial emphasis was on clean energy.

There is a very high level of awareness of the whole issue of climate change in China. There are indications

that they are moving towards at least pilot schemes based on cities for emissions trading schemes. There was a suggestion a couple of weeks ago that ultimately it could lead to a national scheme.

I'll say this also in rounding out my answer to your question: that China I think is the biggest consumer of renewable energy in the world and sure, no-one is seeking to disguise the fact that its emissions out of coal-fired power stations will continue to rise.

But its emissions intensity is falling and if I could put in a plug for an Australian commodity, that's LNG. LNG is regarded as the transitional fuel to a lower-carbon economy. We've got stacks of it and just the other day in Gladstone, ConocoPhillips and Origin Energy announced that they, too, were joining two other projects in investing in LNG - in Queensland and on Curtis Island off Gladstone, post the announcement of the carbon price. And they still understand that this is a very profitable prospect for them and are making those sorts of investments.

So cleaner energy through LNG and renewable energy, which is after all a very clean energy source.

QUESTION:

Just on China and agriculture again, I just wanted to clarify: it sounded like you were saying 'well the investors should take stakes in companies rather than in the actual landholdings'. Is that...

EMERSON:

Well, that's one possibility. That's one model, but of course the agri-businesses would want to have extra equity injections into their operations. The market works if they feel they need the extra equity. Of course, they'd welcome it.

And I don't think that that would be a big surprise. But it's not for governments to say to agri-businesses - that could be owned by superannuation funds or already have foreign equity in them- what investors to have. But I think that there is merit in putting companies in touch with each other and seeing what those opportunities might be.

And let's not think in terms of some sort of zero-sum game here. If we have extra equity investment one way or another in the agriculture sector in this country, as we have had over 200 years, maybe we can lift the productivity of some of our agricultural pursuits such as cattle stations, such as sheep-raising and so on. Because what will be absolutely clear is that as the middle class of China keeps expanding, and it's expanding at a phenomenal rate, it's always been shown that taste then go up the protein chain.

That is, they is more interest in the consumption of two products that we are very good at producing: beef and sheep meat. Now, wouldn't it be great if we could envisage a future where there is extra production of beef and sheep meat in this country, which is good for our farmers, good for regional development and good for helping to meet China's food security needs. Why would you pass up that opportunity?

QUESTION:

Just talking about asylum seekers. Is filming these asylum seekers and posting it on YouTube; is that showing adequate regard for these people's personal safety, given that some of them could be ... or all of them could be sent back to their homeland if their refugee claims have failed?

EMERSON:

Well, let's talk about personal safety. I think you would have been distressed as everyone in this room and

everyone in the country would have been distressed at the loss of life on Christmas Island before Christmas.

That's happened before with the SEIV X, I think it was, and potentially other vessels where their fate was never really determined. So an acute risk to people's safety is getting on those vessels in the first place.

If there is footage showing that those who arrive by boat will be going to Malaysia, well maybe that will help enforce in people's minds that the people smugglers' offer to them is a dud offer; a dud risky, dangerous, life-threatening offer and we want to smash that people-smugglers' model.