



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

Transcript
Sky News AM Agenda with Kieran Gilbert

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E&OE

Subjects: US debt ceiling vote, Australian interest rates, health deal with states, asylum seekers.

KIERAN GILBERT: With me this morning, the Trade Minister Craig Emerson, also the Acting Foreign Minister. Good morning to you.

CRAIG EMERSON: G'day Kieran.

GILBERT: We'll be joined by the Deputy Leader of the Opposition in the Senate, the Shadow Attorney-General Senator Brandis, in a moment. But first I want to ask you about this vote. It's going down to the wire isn't it?

EMERSON: It is and it's an important vote fundamentally in that obviously the world is looking to the United States to see that it can manage its fiscal position.

The short-term effect of this Kieran is, in fact, contractionary, because compared with the situation that would otherwise apply they're talking about cutting spending. So the economy in the United States is very sluggish in any event and they're cutting spending. But the confidence that that's expected to give to the business community about the future is designed to counteract that short-term contractionary effect for an overall better result...

GILBERT: But it could be too late...

EMERSON: ...not only for the US economy but for the world.

GILBERT: But it could be too late anyway for the United States' Triple A credit rating.

EMERSON: That's up to the ratings agencies. And I'm sure that the Administration and the Republicans will, you know, reflect on a period of great uncertainty. I think the Republicans put up their bill and it failed. The Democrats put up their bill and it failed, as much to convince their own side that their own wishes could not be fulfilled but that a genuine compromise was needed. And that's what this bill is, a genuine compromise.

GILBERT: And we're just ... we're waiting for this vote to take place any moment now, and we've got live pictures from the Congress as we speak. *The Wall Street Journal*, Mr Emerson, describes the deal as a Tea Party triumph. The ... the New York Times have slammed it as a terrible deal. Are they ... very strong criticisms in the US media. The President certainly had to compromise a lot on this package, hasn't he?

EMERSON:

Well, that's right. And while I'm not an expert in Tea Party politics, I can't imagine the Tea Party got everything it wanted, which would be a very severe fiscal contraction. And the leadership of the Republicans worked very hard to get enough Republican votes.

Now if this went through unanimously that would be a very pleasant surprise. But what was going on is that neither side could muster enough votes to get the legislation through. The very fact that they are now debating this in full in the House of Reps - I think it was a one hour debate, followed by a Senate debate - would convey a fair bit of confidence that they have now got onside a sufficient number of Democrats and a sufficient number of Republicans to get it through both houses.

GILBERT:

So you're feeling confident about that this morning? That's certainly the mood there.

EMERSON:

Well I think the evidence ... the evidence is that they wouldn't be having these debates right now if it was just a lottery and no-one had any idea of how it was going to unfold. They've already been through the processes of putting up their preferred compromised bills and neither of those got up. And this is their sort of compromise-compromise bill that is designed to get enough votes to get through both houses.

GILBERT:

And just reading online, a few of the analysis on *The Washington Post* and elsewhere, that's certainly the mood: that they feel that they've got the numbers. We're going to take you to that as soon as it happens, that vote on the floor on the House of ... the House of Representatives and the Senate in the US Congress. So stay with us for live rolling coverage of that.

Let's ... in the meantime while we wait for that vote, Minister, can I ask you about the Reserve Bank meeting today. Given all of the international uncertainty, not just in the United States but the European debt crisis and other issues around the globe, would you expect the RBA to keep rates on hold today?

EMERSON:

Well as you know, I'm obliged as a Minister not to speculate about Reserve Bank interest rate movements. I can talk about some of the variables that are in play here.

I think the global uncertainty - which is not only related, Kieran, to the United States but to the situation in Greece and other parts of Europe - has created a sense of gloom around the world, which actually is spilling into Australia; that even small businesses and farmers are reflecting on what's happening in Greece. And I think what that tells us is the global financial crisis that then created a recession, a global recession, has enlivened people here in Australia to what's going on around the world, because they're aware of how this contagion can spread.

The good news here in Australia is that we're not in that sort of fiscal position. Our debt will peak at just over 6 per cent of GDP. Across the major advanced countries, it is 75 per cent of GDP. We'll be back in surplus in 2012-13: the fastest fiscal consolidation in Australia's history and ahead of all those other countries. But it is true that people do look at what's going on around the world. That could be having an effect on retail sales here and general consumer optimism. That's one of the matters that the Reserve Bank will take into account.

It will also take into account the underlying inflation figures that came out. And we've seen the commercial banks basically split right down the middle as to whether they're going to hold interest rates or increase interest rates, with one bank saying that they're - not necessarily today - but they will cut interest rates. So that's the kind of commercial analysis which comes to this conclusion: they don't know.

GILBERT:

The Opposition Treasury Spokesman Joe Hockey says the Government should wear some of the blame if rates do go up today because the Government has wasted money, he says. It's done everything it can to possibly ... everything it possibly can to waste money. He says that puts upward pressure on inflation, on interest rates.

EMERSON:

Well Joe Hockey would say that. But you see they've been - depending on who you talk about ... talk to in the Coalition - some have actually opposed any fiscal stimulus at all.

One of the economic influences coming in to play now is that the fiscal stimulus is actually being withdrawn ... is actually being withdrawn. Now that itself has a slightly contractionary effect as we move to bring the Budget to surplus in 2012-13. The fiscal stimulus was essential, absolutely essential in keeping Australia out of recession. We're one of the very few major advanced countries to avoid recession.

GILBERT:

But could it have been more disciplined the way that that money was spent? We saw a lot of wastage on the the batts ceiling insulation ...

EMERSON:

Well, we do know that the ceiling insulation program was ... was not a success at all. The Prime Minister

described it as a “mess”. But in terms of the overall fiscal position in the settings, you had two basic prescriptions. Depending on who you talk to in the Coalition, some saying no stimulus was needed and we should have stayed in surplus which would have absolutely guaranteed large levels of unemployment in this country.

Because if we were to stay in surplus when the global economy was contracting - and therefore putting us into a natural deficit - we would have had to contract even further. That's the wacko economics of Tony Abbott and his team: that there actually shouldn't have been any deficit at all. There was a deficit. It was necessary to keep us out of recession; 11 million jobs lost in Europe and North America. At the same time, 412,000 jobs gained in Australia.

GILBERT:

Well, you sparring partner Senator Brandis is stuck in Sydney traffic I'm told. It's not an issue for us in Canberra...

EMERSON:

No.

GILBERT:

... but we'll chat to Senator Brandis when he joins us, hopefully in the next few minutes. I want to ask you about the health plan.

The Prime Minister is going to announce this apparently this morning at 9.30am. She's visiting the Canberra Hospital this morning. This ... the Government will be hoping this gives you a bit of momentum. You know, the controversial carbon tax, the controversial Malaysia deal. Both ... very much ... large section of the electorate opposes both of those measures. But this deal, you would think, would have a

majority support and should give you some momentum.

EMERSON:

It does. It does have majority support. It doesn't have support of the Coalition. Before it was actually announced, Tony Abbott condemned it. So again what he knows is one word: no, no, no, no, and no.

GILBERT:

Do you hope this will help turn around the momentum politically?

EMERSON:

Well obviously it's good news. But it is also a career-limiting move on the part of Ministers to pre-empt a Prime Ministerial announcement, so I won't do that. But let's just reflect on this for a moment, Kieran. The Prime Minister said this year would be a year of decision. Well it's almost been the month of decision.

We've had the carbon-pricing details released, and so people can have a proper informed debate about that. The Malaysian deal has been settled. We resumed live cattle exports and put them on a sustainable footing within a month, which in the circumstances is a lot shorter than it otherwise could have been. We announced the Tasmanian forest deal which ends 30 years of conflicts in the Tasmania forest.

And now as we hope and expect the Prime Minister announces a health deal. Well, that also is one of those matters on which she said she would deliver. So, five issues delivered within the space of one month. I think you put all of those together you get this cumulative momentum of the Prime Minister doing exactly what she said she was going to do.

GILBERT:

All right, let's take a quite break. Hopefully, after the break we'll be joined by Senator George Brandis, the Deputy Opposition Leader in the Senate. Stay with us on *AM Agenda*.

[Commercial break]

GILBERT:

Welcome back to *AM Agenda*. With me this morning, the Acting Foreign Minister and the Trade Minister Craig Emerson. And from the Sky News Centre I have the shadow Attorney-General and the Deputy Opposition Leader in the Senate, Senator George Brandis.

Senator Brandis, I want to ask you about a couple of things I've been talking to Craig Emerson about. First, on interest rates. The Government, obviously Ministers aren't able to suggest one way or the other, but the Opposition's been pretty clear that the RBA should keep rates on hold today.

GEORGE BRANDIS:

Well we think so. And you know, the story of interest rates over the last couple of years in this country has been a story of the Government putting upward pressure on interest rates through unnecessary debt. Obviously, as a result of the GFC, interest rates fell across the board and around the world.

But interest rates in Australia today are higher than they would otherwise have been because this Government just spends and wastes so much money, puts the Commonwealth Government in particular into so much debt. And, as a result, the Government has to go into the market, has to borrow, raise money through the bond market in particular. So, interest rates today, we say, although they are relatively low post-GFC, are

higher than they need to be and that's entirely due to the policies of this Government.

GILBERT: Senator Brandis, given the uncertainty around the world, do you think the RBA ... is your expectation ... the markets are pretty much split on this as to what's going to happen today. But what's your sense?

BRANDIS: Well look, Kieran, you'll forgive me if I say I'm not an economic commentator. I noticed that the chief economist at Westpac Mr Evans is saying something different from the chief economist of the ANZ Bank, so if ... if senior professional economic forecasters can't agree you wouldn't expect a humble lawyer like me to be able to offer a prediction.

GILBERT: Yes, okay then. Let's move on. I want to ask you about the health plan the Prime Minister has secured with the states after months of wrangling with Victoria and Western Australia.

They've got huge ... they've got them on board, going to make this announcement at 9.30 here at Parliament House. The Prime Minister said this would be a year of decision and delivery and she's, you know, regardless of what you think of her policy agenda, regardless of a hung parliament, she's been able to deliver that with this big reform today.

BRANDIS: Oh has she? I mean I don't think this is decision and delivery; I think this is back down and falling flat on your face. Don't forget that when Mr Rudd first announced...

EMERSON: [Laughs] George...

BRANDIS:

... this four years ago. Four years ago there was going to be a massive reform of the health system, as a result of which the Commonwealth was going to take over responsibility. And the states have basically negotiated, first Mr Rudd and now Julia Gillard and the Health Minister Nicola Roxon, down to a situation in which almost none of the original guarantees or objectives that the Commonwealth sought to deliver with this health plan have been delivered.

The states are laughing all the way to the bank. They're getting an enormous amount of money, but none of what was promised - whether it was the four-hour guarantee, whether it was the elective surgery guarantee, whether it was the independent authority that was going to oversight the delivery of health services. The Commonwealth has capitulated on all of these matters, so that what's being announced today. No doubt at all it will be ... it will be promoted with a lot of flowery rhetoric and heroic language. But it doesn't remotely resemble what either Mr Rudd or Julia Gillard promised.

GILBERT:

But Senator Brandis, there is apparently going to be a four-hour target but it's been reduced from 95 per cent to 90 per cent in emergency cases. Also the National Health Performance Authority is going to provide quarterly updates on the performance of hospitals so there is that oversight.

Plus the, you know, the pool funding which will provide greater transparency. There are some - while it might not be as tough as the original reform - there are some, you would suggest, positive reforms in this, are there not?

BRANDIS:

Well Kieran, let me just make two points about that.

First of all, because I said a moment ago if you look at the objectives the Government set for itself, in what was meant to be according to Mr Rudd a once-in-a-generation piece of health reform, virtually none of those objectives have been achieved. They've been walked away from. They've been watered down.

Secondly in re... if you lo... if you look at the structure of the ... the monitoring body, that was meant to be a monitoring body that was going to be run by the Commonwealth. Now, effectively, all the power in that body is in the states.

And finally, Kieran, let me just quickly make this point. After the series of policy failures and failure to deliver across the whole range of public policy, does anybody seriously believe that the Gillard Government is going to be able to meet its objectives in the health sphere where it hasn't been able to meet its objectives in relation to immigration, unlawful asylum-seekers, education, government debt? You look across the whole range of public policies and this is a Government ...

GILBERT: Well let's...

BRANDIS: ...that just doesn't deliver.

GILBERT: Let's look at asylum-seekers now, Craig Emerson. I think we've levelled up the time on those two issues.

EMERSON: Equal time you reckon?

GILBERT: Equal time. I hope so. We'll ... I'll be told by our viewers, anyway, via email if I haven't.

EMERSON: And I won't get any more emails saying I interrupted George.

GILBERT: No, that's right.

EMERSON: Don't talk over that nice Senator George Brandis.

GILBERT: So you did well there. Good on you.

Asylum seekers. Apparently the Immigration Department are going to use videos on YouTube to film every step of this first group to be, you know, treated and dealt with under the Malaysia deal. The Government's obviously desperate to get this message out to prospective asylum seekers. That's the key, isn't it, to get that message out?

EMERSON: Determined, determined to break the people smugglers' model and let the people smugglers be under no doubt as to the Government's resolve to break that model; and to ensure that people do not pay people smugglers to take a risky journey to come from Indonesia to Australia only to go back to Malaysia, from whence they came in the first place.

GILBERT: We've put this ... we've got the front page of *The Daily Telegraph*. We can put it up on the screen for you. It's quite an ominous picture: the Riot Squad. Is that really the sort of message you should be sending to people? Many of them will be ... would have suffered persecution, you would imagine. Many of them will be genuine refugees and then we have a riot squad to welcome them.

EMERSON: Well, this is not a voluntary arrangement. We're not saying to people, 'would you prefer to stay in Australia

or to go Malaysia?'. We're saying, 'you come by boat from the date of the signature on the agreement, then you will be going to Malaysia'. That's what we're saying. That's what the message is that we're seeking to impart. And if that's a tough message, it's actually designed to save lives, Kieran.

And for those people who say this is too tough, they should reflect on the fact that people lose their lives making this journey, have done for a very long time, including most recently towards the end of last year.

GILBERT:

Okay. Senator Brandis, I'll get your thoughts on that in a moment. I just want to point out to our viewers that the vote is underway in the US Congress on the debt ceiling bill. If you want to watch all of it unfold, on Channel 648 A-PAC, you can do that. We're going to bring the result to you as soon as it happens, though. We'll have that for you as soon as it happens here on Sky News. But if you want to watch every minute of that, you can do that on Channel 648.

Senator Brandis, on the issue of asylum seekers: the Riot Squad on the front page of the *Telegraph*. It's a picture in *The Australian* newspaper as well. The Coalition used ... well, I know from memory the Coalition used the SAS once against asylum seekers on the *Tampa*.

BRANDIS:

Well look, Kieran, when I see these images, I'm reminded of sitting in the Senate in August 2008 and hearing the then-Immigration Minister, Senator Evans, say how proud he was that the Labor Government was going to abandon the inhumane policies of the Howard Government. That was where the source of the problem. The Government didn't in 2008 have the policy courage to maintain the tough and successful

policies of the Howard Government, so it changed those policies by weakening them. Senator Evans said he was very proud to have done so.

And, as a result, for the last three years we've seen this problem escalate completely out of control. So that now, in order in a sense to play catch-up, the Government is revert ... resorting to these extraordinary measures that it wouldn't have had to resort to in the first place if it had had the policy courage to maintain the Pacific Solution which had worked so well for the Howard Government that there were a negligible number of boat arrivals after it was introduced in 2001.

After the Labor Party weakened the policies in 2008, there have been about 150 boats come to Australia in the last three years. And today, even as we speak, there are some 6,000 asylum seekers in detention in Australia. When the Howard Government went out of office there were a handful.

Now, can I tell you, Kieran, the reason the Opposition doesn't believe that all this chest-beating and pseudo toughness that the Government has lately adopted is going to work is because the people smugglers have got their measure. They've got their measure because they know that they've already abandoned tough policies once, and they also know - because the people smugglers follow developments in Australian politics very closely - they know that this Government is in hock to a political party, namely the Australian Greens, who want to weaken our border protection policies further.

We'll see if it works. My very strong view is ...

EMERSON: Okay, yeah, yeah, yeah...

BRANDIS: ... that it is unlikely to.

GILBERT: We're almost out of time. Quickly.

EMERSON: Yes, sure, George, the Greens are absolutely over the moon about this policy. But what you've heard from George since he came in is complete negativity. There is not one positive word that he could bring himself. Why? Because he's straight out of Tony Abbott's stable - no, no, no, no and no.

GILBERT: Craig Emerson and Senator Brandis, appreciate your time today, gentlemen. Have a good day.

