



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

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E&OE

Subjects: Craig Thomson, Liberal protectionism, Budget surplus, strong dollar, manufacturing sector, global economy, China.

PETER VAN ONSELEN: We're joined now out of Canberra by the Trade Minister, Craig Emerson. Mr Emerson, or Dr Emerson rather, thanks for your company.

CRAIG EMERSON: Thanks for having me on the show.

VAN ONSELEN: We'll get to trade issues as the bulk of our interview, of course, but we have to start with the Craig Thomson saga, as I'm sure you would expect. You flat with him in Canberra. You must have chatted to him. What ... how's he feeling? Where do you think this is going?

EMERSON: Well, I think Craig's standing up to the allegations and the mischief against him pretty well. I do empathise for his wife, who's seven months pregnant with their second child, but a

set of claims have been made. I'd make this point, though Peter: there's been no allegation of criminality of any sort against Craig Thomson.

And Mr O'Farrell on behalf of the Liberal Party has called for Mr Thomson's resignation, because there are allegations against him which Craig has continued vigorously to deny. Let's have a look at that standard. There is a coalition MP who is alleged to have engaged in criminal activity that was alleged to have occurred in December ...

VAN ONSELEN:

You're talking there about Senator Mary Jo Fisher with the shoplifting allegation.

EMERSON:

You named her and I wasn't even interested in doing that. In May the charges were laid and it became public in July. Now there's a standard where Mr Abbott had that period between May and July, said nothing - said nothing whatsoever - and we have never called for the resignation of this particular MP. Why? Because out of respect for her and out of respect for the presumption of innocence, which is the cornerstone of our justice system.

Now if Mr Abbott wants to apply the standards of his senior Liberal and that is call for the resignation of anyone against whom allegations have been made, why didn't he call

for the resignation of three Coalition MPs who were investigated for criminal activity before the last election? All exonerated, all exonerated, but they were actually under criminal investigation and he didn't call for their resignation then.

So there's the contrast; there's the double standard. Mr Thomson has no criminal allegations against him. And the other allegations that have been made, he's denied. And yet he has, in Barry O'Farrell, a senior Liberal saying that's enough to warrant the resignation of a Member of Parliament.

PAUL KELLY:

Just on that point, Minister: how confident are you that the Gillard Government has had no involvement whatsoever in the reported \$90,000 financial support to Craig Thomson?

EMERSON:

Well, I don't have particular knowledge of that other than to say this: the news reports suggests that this was an arrangement that was implemented through the New South Wales branch of the Labor Party. I don't know all of the circumstances of that but I will add that, again, that is not - and I know you're not suggesting Paul that that of itself is in any way a criminal matter. So we've got a criminal standard, alleged criminal behaviour on the part of Liberals that doesn't warrant a call for resignation. No allegations of criminal behaviour on the part of a Labor MP and, of

course, Mr O'Farrell, a senior Liberal, is saying he should resign.

VAN ONSELEN:

But Dr Emerson you know what's going on here. I mean it obviously relates to the nature of the Parliament; the fact that the Government is already under pressure; the fact that it's a minority Government and that the Member for Dobell is obviously a very key element of that minority Government not falling - as long as he stays in Parliament and stays a member of the Labor Party. That's the political side of this, which is why this is so politically damaging.

EMERSON:

So a new standard should apply? If there is a minority government, or if a government is in power by one or two seats, then a new standard should apply in the conduct of the Parliament and in our justice system? That is the standard that Mr Abbott would want to apply: that regardless of whether there is any criminal allegation against a Member of Parliament, that Member of Parliament who is the subject of allegations as yet unsubstantiated and may never be substantiated - because Mr Thomson has denied them - should resign.

All right, Mr Abbott, for once, just for once, apply the same standard to your own team - but you haven't. You haven't because all this is about what you're inferring, Peter, and that is political opportunism, trying to do as much

smearing as he possibly can but not having the guts to apply the same standard to his own team, or anywhere near the same standard, to the total of four coalition MPs that have been subject to criminal investigations. In one case they were exonerated, but the investigations for fraud last a long period of time - another one who was subject to criminal charges and not a peep out of Mr Abbott about that. That doesn't bother him if it's criminal charges but so long as an allegation is made against someone else, they should resign.

Hypocrisy, thy name is Liberal.

BENSON:

We should move on I suppose to your own portfolio now. The coalition, particularly Tony Abbott, has recently appeared to depart from core Liberal philosophy and sided with the left-wing unions in calling for stronger anti-dumping and protectionism. Is there a need now in terms of the currency issues Australia's facing and the global uncertainty for new discussion on trade liberalisation and protectionism?

EMERSON:

Well, if we reverse the trade liberalising efforts of successive Governments and embrace protectionism, we're dead. This country is dead in the water if we do that because we are a great trading nation. Just in agriculture alone, 60 per cent of our agricultural produce is exported. We had a record trade surplus last year. And Mr Abbott is not so much siding with

unions, he's siding with the National Party and Pauline Hanson's One Nation Party as it then was.

Pauline Hanson was sitting behind Mr Abbott earlier in the week in the Parliament. There's no surprise because whether it's in relation to apples, where he wants to reject the determination of the World Trade Organization and risk retaliation. That would be the first time in history that Australia has rejected a position that is a final determination of the World Trade Organization.

There's another Bill that Mr Abbott is pushing on, palm oil, which would poison our relationship with Malaysia and Indonesia and may well breach our obligation under the World Trade Organization. Again, the issue that you just mentioned, Simon, and that is anti-dumping: we implemented a set of measures that are totally consistent with the World Trade Organization's rulings and principles and what does the Opposition spokesperson say? That we should have gone for the sensible, additional recommendations of the Senate inquiry, which would absolutely have violated the WTO rulings.

In coal seam gas you've got Mr Abbott saying 'well, we don't know about the basic property rights; maybe people should have a veto over that'. And on and on, a whole range of issues,

where, for example, emissions trading - do you know that this week the Coalition attacked the Government for international linking of carbon markets? And we had the Opposition spokesman almost spitting, saying, why would you give money to foreigners.

To sum up, what we've got is Mr Abbott advocating and following the teachings of the man who he said walks on water. He said 'I adore the water this man walks on', and he's not talking about the Messiah; he's talking about Bob Santamaria. So he supports the Bob Santamaria isolationist approach; he supports Pauline Hanson's isolation approach. And who is he pandering to? He's pandering to the National Party because they've always been isolationist.

KELLY: Minister, if we can now just move to the international economic situation.

EMERSON: Of course.

KELLY: Given this situation, do you support the idea of fresh spending cuts by the Gillard Government in order to maintain the Budget surplus target?

EMERSON: I do. In fact I support going through a round of continued restraint in Government expenditure in order to bring the Budget back to surplus, in order to ensure that we retain our position,

which we will, as the pre-eminent country in terms of net debt as a percentage of GDP. Ours is seven per cent of GDP and we see the strife in the United States, in Europe, where across the major advanced countries it's 75 per cent of GDP. Yes, of course I support that.

KELLY:

Well just on that course Minister, if in fact we're seeing quite dampening factors impinging on the Australian economy from the crisis in both Europe and the United States, to what extent could new Government spending cuts in fact be counterproductive for the economy?

EMERSON:

I think again that's a good question, Paul. What we need to do is make sure that we get back to surplus because that makes room for an expanding private sector. And, it is true that consumption has been pretty flat in Australia, but we have this enormous investment pipeline, I think more than \$400 billion worth of investment on the drawing board.

Now that's an enormous surge into the Australian economy and of course we had last year a record trade surplus. So there are different sources of growth for the Australian economy and we don't want to crowd out those sources of growth.

KELLY:

I appreciate that point but I'd like to take you to the plight facing manufacturing industry. We

know conditions in manufacturing industry are quite gloomy at the moment. Does the Government have any policy response to the prospect of rising unemployment in the manufacturing sector?

EMERSON:

Yes, we do and what we've been doing - and there's been further announcements coming out of the Council of Australian Governments - we want to reduce the costs of manufacturers wherever we possibly can. As you know, the Australian Government doesn't set the exchange rate. That was 1983 when that last happened. And, of course, Australian manufacturing is bearing the brunt of a very high exchange rate, particularly obviously the export-oriented parts of manufacturing. So we understand that and the best thing you can do is make this transition to a seamless national economy.

Anthony Albanese for example has done great work in ensuring that we have now far more streamlined regulation of transport in this country; a dramatic reduction in regulation and good on Anthony. And that was announced without a lot of fanfare in terms of media follow-up at the Council of Australian Governments, and it's an example of reducing costs where we can.

BENSON:

Dr Emerson, there's also a political dimension to the surplus. What happens if you don't reach

surplus? You'll be labelled with yet another broken promise. Has the priority now to reach surplus become more of a political goal rather than an economic one?

EMERSON:

It's an economic priority and if we were to follow in the footsteps of some overseas countries, where apparently they seem to be saying that 'we'll just keep the Budget into deep deficit because we don't want to do anything that might contract the economy', well then world markets, world financial markets deliver their verdict on that ...

VAN ONSELEN:

Can I...?

EMERSON:

And they have delivered a very harsh verdict. So it is an economic imperative to create room for that extra investment and to make sure that we keep building confidence in the future of the Australian economy which, I must say Simon, is beautifully positioned in this, the Asian region, in this, the Asian Century. Not out of good luck, but out of good management.

And yet again Mr Abbott, in his Budget reply, said 'this is a surplus made in China'. Where's he want it to be made? You know, in northern Europe, with Mother England? Again it just shows what a nerd he is, in always going back to, you know, the way it used to be in the 1950s and the 1960s when his mate, Bob

Santamaria, was developing policy. And now his new mate, Pauline Hanson, is coming in over the top as his chief political adviser and unfortunately his chief economic adviser as well.

VAN ONSELEN:

But Dr Emerson, you're an economist by training. You would understand why this situation is a little confusing to people, because when the GFC first happened, the Government's argument for the economic imperative was for the Government to spend big to save Australia from a recession.

EMERSON:

That's right.

VAN ONSELEN:

Now we're in a position where it looks like the global market could be going in the same direction, but suddenly the economic imperative - it's not a political imperative - the economic imperative is that the Government needs to find savings and find cuts so that it can achieve the surplus which is, we're reminded, an economic, not a political imperative. And just then - long question - but just then you also said that we need to not do what other nations around the world do, in terms of the risk of more government debt. But earlier you made the observation that Australia's debt, which I agree with you is very low at 7 per cent, compared to that of other countries.

EMERSON: Sure.

VAN ONSELEN: How do you make all of that stack up as an economist, as opposed to a politician trying to get back to surplus?

EMERSON: Easy, easy. We build on our strengths and we have got great strengths here. We've got four of the remaining nine banks in the world that are AA rated or better. That's a strength and, yes, we did invest in stimulus spending ahead of what became the deepest global recession since the Great Depression - absolutely the right call, absolutely the right call. And this was opposed at least in part, and depending on who you talk to from the Coalition, in full by many Coalition frontbenchers.

VAN ONSELEN: So if that happened again, if that happened again then suddenly the economic target of a surplus would be something that the Government would be prepared to review?

EMERSON: Well we're not prepared to be contemplating that and there is no reason to believe that, there's no reason to believe that. There's been financial market turmoil, that's true. And I think it's a reflection of the fact at least in part that both in the United States and large parts of Europe they have large debt, and they also have unsustainably large budget deficits that are continuing to contribute to that debt.

Here we are, we are in a position of strength. What we're going to do is build on that position of strength. You would not want to be any country on earth other than Australia. So let's build on our strengths.

KELLY:

Minister, you've just been to China. To what extent do you believe that the downturn we face in both Europe and the United States must have some impact on China and that therefore will also affect us?

EMERSON:

It would have had a bigger impact, Paul, maybe five years ago, when China's growth model was dominated by its determination to export. And, of course, China is still a great exporting nation. But in the 12th Five-Year Plan they've done this second transformation. The first one was to open up China's economy, and the second transformation is to move towards domestic consumption as a source of growth and spread that growth right through the nation of China.

Now the advantage of that for us is more diversification and, yes, I led a delegation of more than 100 Australian businesspeople, all engaged in service industries through so-called second-tier cities that had populations ranging from 10 to 30 million people. These are enormous parts of China and western China.

So what we're doing now is we are being part of this second transformation of China to diversify. But there's no doubt that China's still growing at around 10 per cent. If it grows at nine per cent, Paul, I mean this isn't a big kick down. Why wouldn't you want to be linked to an enormous nation, which by some measures will overtake the United States as the biggest economy on earth in 2016? Why wouldn't you want to be part of that through good management, compared with Tony Abbott harking back to Mother England and economic isolationism, Bob Santamaria, Pauline Hanson, the whole kit bag and caboodle.

This guy is an economic Neanderthal; he is an economic vandal. That's the truth and he is a very severe risk to the Australian economy. Why? Because it's not just politics; he believes it. He believes this. He is Malcolm Fraser without a conscience. Malcolm Fraser was an interventionist; he was always being told what to do by Nixon and by Sinclair and now Tony Abbott's being told what to do by an isolationist National Party. But it's a very receptive hearing because he fundamentally believes it. He adores the water that Bob Santamaria walked on.

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VAN ONSELEN:

All right Dr Craig Emerson, Trade Minister, part time political historian, we appreciate your coming and joining us on Australian Agenda. Thanks for your company.

EMERSON:

Righto. Thanks guys.