



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

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Subjects: Steel industry, Chinese currency, Craig Thomson.

ALI MOORE: After today's job cuts in the steel industry, the Minister for Trade, Craig Emerson, joined me from our Canberra studio a short time ago.

Craig Emerson, welcome to Lateline.

CRAIG EMERSON: Thanks very much.

MOORE: A thousand jobs lost today at BlueScope. There have been hundreds lost before. In effect, is the Government powerless to stop these jobs going? Business will go where the product is cheapest.

EMERSON:

It is a product in fact of the high exchange rate, which itself is a consequence of Australia's booming mining sector.

This is the classic two-speed economy where our booming mining sector is actually driving the value of the dollar up, but that of course is a burden for our export-oriented manufacturers and those that seek to compete against imports.

So, I guess it's a market price and it has its economic consequences. What can we do about that? Well we won't be refixing the exchange rate, which was last fixed back in 1983. But we do what we can to reduce business costs, to invest in skills, to invest in research and development and in infrastructure. And that's what we're doing.

MOORE:

How much of what's happening in Australia is because of what's happening in China, and indeed, the fact that the Chinese Government doesn't float its Yuan? The unions here certainly say that the Chinese have an unfair advantage because the Yuan is kept artificially low.

EMERSON:

Well I think the fundamentals are that China has a voracious appetite for Australian minerals and energy resources because of its rapid industrialisation and its rapid urbanisation, as people move from paddy

fields into factories and from country areas into towns and cities.

We visited recently cities with 10 million or more people in them; one with 30 million people. By 2020, China will have 93 cities bigger than the size of Sydney. So that's what's really ...

MOORE: But how is that connected to the cost of its exports?

EMERSON: That's what's driving fundamentally the demand for minerals and that then is driving up the exchange rate. Now we can argue about the appropriate level of the Chinese currency, but the fundamentals are what's driving the high dollar.

MOORE: But do you agree, though, with the unions, with Paul Howes from the Australian Workers Union, who says the Chinese have an unfair advantage because they keep their exchange rate artificially low? The Yuan is not free-floated.

EMERSON: It is true that the Yuan is not a freely floating currency. Australia would have a bit more of a competitive advantage if the Yuan were appreciated. The authorities have actually done that to a limited extent, and one of the reasons that they do that is because it helps

control inflation in China, which has hit 6.5 per cent.

MOORE: But they've done, what, 3 per cent, 4 per cent appreciation over the past year. Is that enough, and realistically, can Australia do anything to try and encourage them to do any more?

EMERSON: Yeah, sure, well, look, I'm not a market analyst who magically knows what the equilibrium exchange rate is in a free market when it's not a free market.

I understand why the union movement would be urging the Chinese authorities to lift their exchange rate. It would help us if they did. The United States is a much bigger economy and has been seeking exactly that from the Chinese authorities for a very long time. And it's fine for the union movement to add its voice to that. If that happened ...

MOORE: Will you be adding the Government's voice?

EMERSON: Well, we make these points, but it's not something that we make as an argument each and every day. What we make as an argument each and every day, including on my trip to China, is 'let's both build the relationship in minerals and energy, but also diversify the relationship into services and

where we can be competitive in manufacturing as well'.

MOORE:

The chairman of BlueScope Steel, Graham Kraehe, made the point on 7.30 tonight that resources projects, and in his words, even government jobs, are using European or Asian specifications that exclude local manufacturers.

Is he right? And should there be a requirement that specifications for tenders should be in a way that Australian producers can compete?

EMERSON:

Oh, well, wherever that's possible, that's what we would want to see. And in fact we have an active program of helping Australian manufacturers and equipment suppliers to compete for these sorts of projects. It's not perfect. Nothing can ever be perfect.

MOORE:

But is he right that often there are specifications that are European or Asian that exclude local manufacturers?

EMERSON:

Well, I actually don't, you know, view these specifications. I'm giving you an honest answer. If Mr Kraehe or company executives say that, I don't have reason to doubt it.

What I can do is work as a member of the Government, of Cabinet to ensure that we give our Australian suppliers the best possible chance without moving into the arena of compulsory obligations in terms of percentages of local content. And to the credit of many, including most in the union movement, they're not actually seeking a guarantee of minimum local content; they're seeking an opportunity to compete, which is fair enough.

MOORE:

The Government's brought forward around \$100 million of assistance that was part of the whole carbon tax arrangement. Will that leave the industry potentially short when the carbon tax does take effect?

EMERSON:

No, and this is something that obviously is in the interests of the industry at this time. Obviously we feel for the families that are affected by the decisions that were announced today. But this is an understanding that has been reached with the industry.

They fully understand that we're bringing some of these funds forward. It's not a net addition to the total of funds that are available under the scheme. But this is something that is suitable for them and suitable for the Government.

So that's why we're doing it: we're seeking to cushion the blow, if you like, but without getting into a highly protectionist stance here. The industry isn't asking for that, and nor is the industry by the way saying that this is due to putting a price on carbon. It's actually due to the high Australian dollar.

MOORE:

Craig Emerson, if your credit card was used by someone to pay for prostitutes, or indeed any other service, would you want to know who it was? If your signature had apparently been forged, would you report it to police?

EMERSON:

Well, I know that you're talking about Craig Thomson here and Craig Thomson has had a number of allegations made against him. He has denied them. He's said that these allegations are untrue. And in any event I would point out that there's no suggestion of criminality here.

And I know that the Coalition gets very excited about the idea of somehow forcing Craig Thomson to resign from Parliament. There's absolutely no reason to do that. The only reason that this is a source of great excitement for them is that they think this might be an easy way to The Lodge. Well I can tell them it's not.

MOORE: But Minister, a credit card voucher's been tendered to the Supreme Court. It's in Craig Thomson's name. It's got his driver's licence number on the back and apparently his signature, though he says it wasn't him. So do you agree that if Mr Thomson is telling the truth, then someone has committed an offence because forging a signature is a criminal activity?

EMERSON: Yeah, well, I don't think there's a criminal allegation against Mr Thomson. I haven't heard even Senator George Brandis make that. And these ...

MOORE: But are you surprised this case hasn't been referred to the police?

EMERSON: But let's just get this in perspective. This is a set of alleged activities that allegedly occurred before Mr Thomson became a Member of Parliament. Now, I wouldn't want to be judged on everything that I did from the age of 18 through to 44 when I joined the Parliament.

MOORE: Sure, but this is not an alleged activity; this is a credit card voucher that has his - apparently has his - signature on it and he says it's not his. So, something's gone wrong there, hasn't it? And why is there not a police

investigation into it? This voucher exists and it apparently has his name on it and he says it's not him.

EMERSON:

Obviously that's a matter for the police, and it's not a matter for politicians to determine whether there is a basis for any police investigation. Indeed, there is no suggestion that there is a police investigation.

And I think we'd get into pretty tricky times if we actually got into a situation where the Coalition wants to be, and that is to write to the police and tell them they must conduct an investigation. There's this quaint notion of the separation of powers which we should respect.

MOORE:

Sure, but I go back to the point that there is a - but there is ...

EMERSON:

Well let's respect the separation of powers and not have politicians telling the police what they should do. And that's what the Coalition is seeking to do.

MOORE:

But in this case Craig Thomson would be the aggrieved party, he would be the victim, wouldn't he? There is a credit card voucher which was his credit card; it has his apparent signature on it and it wasn't him. Isn't that a

matter that we need some clarification on? If it wasn't him, who was it? Whose union funds ... or who from the union was doing it? Who was using this card?

EMERSON: Well that's a matter for Craig Thomson in his capacity as then a member, in fact a leading member, of a trade union. Those allegations and those claims ...

MOORE: But doesn't it go to the issue and his ability and his fitness to hold office now?

EMERSON: Why? Could you explain to me the basis in which he should resign from the Parliament? I actually think it's an outrageous proposition that someone who has alleged to have done something - well you just asked me.

MOORE: I didn't suggest he should resign from Parliament at all. I'm enquiring as to why there's not an investigation.

EMERSON: No, no, you just asked me 'doesn't this mean he's not fit for Parliament' or 'doesn't this question his fitness for Parliament?' No, it doesn't. No, it doesn't. The basis upon whether someone is fit for Parliament or not is whether they've committed and been found guilty of a criminal offence with a

penalty of a year or more in jail, whether that penalty is applied or not.

Now let's get to the application of such a standard. We have on the Coalition side a Senator who is alleged to have engaged in criminal activity; who's been charged with criminal activity. And the Labor Government has never called for that person to quit Parliament; nor have we ever called for that person to relinquish her position as a chair of a committee. Now, isn't that a fundamental difference?

MOORE: But isn't the point there is a transparent legal process in that particular instance? That person who has been charged has been charged officially by police.

EMERSON: Yes.

MOORE: The legal process has begun. There's no question of signatures being forged by unknown people.

EMERSON: And what's the suggestion of illegality or criminality on the part of Craig Thomson? None. None. I'm just simply saying ...

MOORE: But obviously someone forged the signature. I'm not saying it was Craig Thomson, but his signature was there and he says it wasn't him.

EMERSON: If crimes were committed around Australia, it's not the responsibility of the Federal Parliamentary Labor Party, if crimes were committed around Australia, before someone came into Parliament, to then take action and ask Mr Thomson to resign from Parliament.

Sorry. Out of luck. We're not going to do it. What we simply want to do is have the application of one standard, not two. Mr Abbott has a double standard.

MOORE: So you see no issue here that needs to at least be clarified as to what actually happened with this credit card?

EMERSON: Well, Mr Thomson has provided his version of events and we accept that version of events. We have no reason other than to accept that version of events.

But if we're going to get on to matters of criminality, then there is a Coalition Senator that Mr Abbott has not said should even stand aside from a parliamentary committee of which she chairs, let alone leave the

Parliament, which is the standard they seek to apply to Mr Thomson, who has no criminal allegations against him whatsoever.

MOORE: Craig Emerson, many thanks for joining Lateline.

EMERSON: Thank you very much.