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MINISTER FOR TRADE

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MICHAEL MACKENZIE: Let's talk about the enormous long-running frustrations that go with freeing up world trade.

The Cairns Group represents 19 nations, including Australia, that export agricultural products around the world.

For years, they've been trying to get other countries to drop their trade barriers: things like tariffs that get slapped on food imported into the EU, or Japan or the US, or those subsidies that are paid to US farmers to help them remain competitive.

This week, the Cairns Group are meeting in Saskatoon in the Canadian province of Saskatchewan. And the aim of the meeting is to pump life back into the Doha Round of trade

talks. These talks fall under the World Trade Organization, or WTO, and they're pretty much all about agriculture and barriers to its free trade around the world.

In the town of Saskatoon to chair the meeting of the Cairns Group is Australia's Trade Minister, Dr Craig Emerson, and he joins us on the line now from Canada. Minister, welcome to the program.

CRAIG EMERSON:

Thanks very much. "I'm busted flat in Saskatoon, heading for the plain, feeling nearly as faded as my jeans," as Kris Kristofferson once sang.

MACKENZIE:

He did, yeah.

EMERSON:

But yes, it's a long, long way away from Australia.

MACKENZIE:

Well, let's hope, Minister, that as much success as Kris Kristofferson had with that song you'll have in some breakthrough after 10 years of negotiation on this Doha Round. Any joy in Saskatoon?

EMERSON:

Yes, it is an eternity; there's no doubt about it. And we're at one with the National Farmers' Federation on this issue. We're as frustrated as the Australian farming community is because our farmers have always been very efficient.

But you're right: we're being locked out of markets or having to hurdle high tariff barriers just to get into those markets.

This group is a group of agricultural-producing nations, so we're all singing from the same song sheet, so to speak.

But, yes, we've resolved to move forward on Doha. But, in a sense, we're not the problem.

MACKENZIE: No, you're not the problem. I mean...

EMERSON: There are other countries that don't want to let our produce into their markets.

MACKENZIE: Indeed. So, the 19 nations obviously include Canada and Australia. Who else is in your group?

EMERSON: Oh, countries such as Bolivia, Costa Rica, Chile, Guatemala, The Philippines, Malaysia, Indonesia, South Africa. So, there's a great diversity of countries. We all have the same aim, and I think the complexity is that when this Round was launched back in 2001, the world has since changed quite a lot.

We've got big emerging countries, like China, India and Brazil. We've got a deadlock amongst major countries and our farmers have been waiting for a very long time.

But it's such a complex negotiation that has everything depending on everything else and people only giving concessions if someone else will give a concession in some other area unrelated to agriculture, such as manufacturing. So, it's just become this big logjam.

And what we're trying to do here in Saskatoon is to break that logjam: think of ways - really, to think laterally - and have another go at this from another angle. Because just bashing your head against a brick wall just gives you a headache, and the wall isn't breaking.

So, that's really what we've been doing with the National Farmers' Federation and other farming groups: thinking creatively as a way of breaking this impasse.

MACKENZIE:

Well, I'd like to hear about what you've come up with in Saskatoon. But before we get to that, I mean, in terms of the trying to break an impassable wall - you've made that analogy already - hasn't that wall already got higher anyway?

I mean, bearing in mind you've been at this now for 10 years, could there be a worse time to try and break into places as economically unviable as America - the US - and the EU? They're teetering at the moment economically.

This is a time when they're going to be the most protective aren't they?

EMERSON: Yeah, I think you're right in terms of disposition in ... or pressure, if you like, from their own constituencies. But the tariffs and other trade barriers for agriculture haven't so much been going up; it's just that we want them to go down. And I think one of the considerations that's really relevant here is that the United States and Europe are struggling under a heavy debt burden.

MACKENZIE: That's right.

EMERSON: Well, these farm subsidies cost a lot of money. And, I think, in the EU in 2007 something like \$128 billion was spent on the farm subsidies...

MACKENZIE: Minister, I...

EMERSON: ... in the United States.

MACKENZIE: Minister, I can see where you're going on this, but, I mean, what you're saying is...

EMERSON: Yes.

MACKENZIE: ... you know, you could save yourselves some money as nation states by...

- EMERSON: Exactly.
- MACKENZIE: But, at the same time, politically, come on, you know very well that if you're in power in an area that ... where you feel very vulnerable because of the economic downturn of your country - ie, the US or parts of the EU - there's no way you're going to disenfranchise a major part of your constituency by opening up trade.
- EMERSON: Well, what do we do? Give up?
- MACKENZIE: Well, I'm asking you, what...
- EMERSON: I'm not prepared to give up.
- MACKENZIE: [Laughs]
- EMERSON: Well, you just said to me, 'look, it's impossible'. And I'm not that sort of guy.
- MACKENZIE: Okay, well tell us what you came up with in Canada?
- EMERSON: As Australia's tra... well, what...
- MACKENZIE: What have you come up with?
- EMERSON: Yeah, okay, if I can just squeeze a word in, I'll give ... I'll answer your question.

MACKENZIE: Sure.

EMERSON: What we've come up with is to approach what's called a Ministerial Meeting in December of all the Trade Ministers of the 153 countries to say 'let's stop going down this one road and maybe even try to break things up a bit, so that not everything depends on everything else'. Because, as I say, the deadlock is created in areas such as manufacturing, not so much in the farm subsidies and export subsidies and tariffs and quotas.

In fact, we have reached a very substantial level of agreement on those, which is the really frustrating thing. But some countries are saying they won't bring that agreement to the table for a final tick until they get some access for manufactured goods, or for services, or fisheries or, you know, other unrelated or seemingly-unrelated matters.

MACKENZIE: Sure.

EMERSON: So, what I'm suggesting is that we try to break this up into more digestible bite-sized chunks instead of this one great big lump that no-one can swallow. So, it's a simple concept.

Now, it's a new concept, because we've only been working on this for less than a couple of weeks. But Australia's leading the thinking on

this, and I think we're getting some very positive responses in this sense: and that is, people saying 'well, at least someone is trying something new'.

MACKENZIE:

Well ...

EMERSON:

And so I ...

MACKENZIE:

Well, on the face of it, it sounds like commonsense.

EMERSON:

... think it's not such a ... I think it's not such a hopeless time as you were sort of portraying: that none of this could ever happen.

Agricultural prices are quite high at the moment in historic terms, and so what we want to do is put very severe caps on these farm subsidies. But for budgetary reasons, for the debt-reduction programs that are necessary in both the United States and Europe, there are good budgetary reasons to start cutting these programs.

And what better time to cut them than when agricultural prices are higher? I mean, if you try to cut them when agricultural prices are low, you're dead right: there'd be no chance. But farmers are actually enjoying relatively high prices for a range of products and this is actually a good time to do it. And that's our

argument to the major players in the World Trade Organization.

MACKENZIE: Well, good luck with that. In the meantime ... and I don't mean to talk it down, but it's just that I'm sure you understand the frustrations. Whenever we hear "Doha", I also hear the words "stalled" and "negotiations" [laughs], so...

EMERSON: And "deadlock".

MACKENZIE: And "deadlock", indeed. Minister, one final question on this, because I know you have to go. But I was wondering - in talking in Canada about the next part of the strategy, and breaking up the negotiations sounds like a reasonable way forward - what have you decided to do about Russia and this impasse with them not allowing us to export roo meat to them? Because it's been one of our great...

EMERSON: I had a meeting with ... I've had a discussion with the Agriculture Minister today and we've proposed to do a deal with Russia that relates to kangaroo meat imports into Russia in return for granting market economy status to Russia in trade negotiations. So in principle...

MACKENZIE: What does that mean?

EMERSON: This is for the anti-dumping regime, so it's not related specifically to agriculture, but this is an arrangement that I've negotiated with the Agriculture Minister from Russia. And what we need to do now is just bring that basically through the documentation phase and, hopefully, if all goes well, we'll be able to resume those kangaroo exports - meat exports - to Russia.

But I can't say what I think is going to be ... when's this is going to happen. It's going to happen as soon as we can possibly can. But we had a conversation today which reaffirmed that we're both going flat out to seek to achieve this.

MACKENZIE: And that particular stalled relationship with Russia over roo meat, which I think has been going now for a good 18 months: is that a case...

EMERSON: Yeah, 2009 I think.

MACKENZIE: 2009. Is that a case in point of the very things you've been describing to us as to why world trade hasn't been liberalised: because there's always a side agenda that needs to be taken into account?

EMERSON: Well I think so. But Russia itself is not a member of the World Trade Organization, but

very, very keenly seeking to join. And that's a good thing, because then all countries including Russia are bound by the rules ...

MACKENZIE: Yeah.

EMERSON: ... of the World Trade Organisation. That's the beauty of it: you actually get protection against unfair behaviour if you're a member of the club. And that's why we've already got 153 members; and Russia, hopefully, at the end of this year will be 154.

MACKENZIE: All right Minister. Well, good luck and thanks very much for joining us today. Really enjoyed it.

EMERSON: Good talking to you. Bye, bye.

MACKENZIE: Bye, bye now. Dr Craig Emerson, who's our Trade Minister, who's been part in these 19-nation Cairns Group talks on world trade happening in Canada, in the province of Saskatchewan, the town of Saskatoon. I just love saying those words.

