



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

Transcript
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ROD NICKEL: I wanted to ask you first about the Cairns talks, and in particular the statement made yesterday by the United States: it hasn't worked and it's time to look for other options.

CRAIG EMERSON: Well we were saying the same thing. We've been concerned for some time about the state of the Doha negotiations; so much so that late last year in November world leaders asked for a big effort for completion in 2011. That hasn't worked; we recognised that in May this year. A group of seven Ministers then met and resolved to do whatever was possible to bring it to conclusion in 2011. But by May it was clear that wasn't going to happen.

Australia was one of the countries in [the APEC meeting in] Big Sky, Montana, that said we're going to need to look at a down-payment in 2011 and a forward program to complete the Round thereafter. I then had a meeting in May just a week after in Paris, and there was a high level of support - not a total consensus but a high level of support - for that goal: to deliver a down-payment this year and chart a course for the remainder of the round.

And even after that, back in Geneva, there's been no progress on that. There have been lots of discussions with people putting up their hands with reasons as to why it's very difficult, but not many people putting up their hands to say 'here's a way of achieving a down-payment'.

Now, Australia hasn't given up. We're a fan of the system and have long been supporters of trade liberalisation going back many years to the formation of the Cairns Group in 1986. And we're pressing ahead for some sort of down-payment this year. We're less concerned about the shape of that down-payment and more concerned to deliver some confidence that negotiators, after a decade, can deliver something.

NICKEL: So when you say "down-payment", you mean a smaller-scale deal that achieves something?

EMERSON: Yeah, and it's as much that it's, in my mind, confidence building; that it's something that can come out of a 10-year negotiation. We need to reflect on the fact that the Doha Round has gone on longer than any other Round since 1947 when the GATT was formed. And we need to reflect on this: that if the Doha Round failed it would be the first Round to fail.

NICKEL: Well, what should a down-payment focus on?

EMERSON: Well as I say, I'm pragmatic about that: probably it should have at its heart something for the least developed countries in terms of their access to markets – around that, there seems to be a level of support.

NICKEL: That would be the goal then for the meeting in December?

EMERSON: Well not exclusively. The role would be to achieve something for December, but also to chart a new course for the balance of the

Round, because there is an appreciation that the current course is not going to get us there. So it's not a matter of requiring more time. It requires fresh thinking and a fresh approach – and Australia has been doing that.

NICKEL: But still as part of the Doha framework or are you talking about setting that aside?

EMERSON: No, we're not talking about setting aside the Doha Round. But if you keep hitting your head against a brick wall and the wall doesn't show signs of fracturing, then you'll probably just end up hurting yourself.

NICKEL: Does the fact that the US is having an election next year make it more difficult to achieve a broad agreement?

EMERSON: Not fundamentally, in my view. In my view the fundamentals are more related to the question of whether there is world will for further trade liberalisation during what is a slow and weak economic recovery in much of the developed world, and a world in which the developing countries of 2001 are emerging countries in 2011. That's more fundamental than an election in one country, and that's why I think a new approach is needed because a lot of changes have occurred in the last decade

NICKEL: I wanted to touch on a couple of other areas. There are so many similar areas between Canada and Australia. Your strong dollar: how much of an impact do you see on your exporters?

EMERSON: The strong dollar has placed a heavy burden on our non-mining exporters, particularly in Australia our manufactured exporters. For agriculture, prices are quite good - world prices are quite good - but for manufacturing prices are in decline because of a shift in manufacturing from the developed world to the developing world. So, a combination of a

high currency and declining real world prices for manufacturing obviously creates an enormous amount of pressure on our manufacturing sector.

NICKEL: Would it better to move below parity again?

EMERSON: We floated the dollar in 1983, and when it floats it floats. We don't set the dollar. We don't intervene to try to set the dollar.

NICKEL: Do you feel that Australia is, with Japan and Switzerland intervening, being looked at as a safe haven country, and that it's somehow being penalised by other countries taking action?

EMERSON: It's more that the high dollar is a vote of confidence in the Australian economy by foreign investors. And some suggest that it's a pathway to investing in China, through investing in Australian minerals and energy which then are exported to China. If you see what I mean: that obviously means there's a lot of investment going directly into China. I'm not saying it's a substitute, but there's a sense that a way of investing in China, in China's growth, in China's future, is to invest in Australia - and that's what's happening. Foreign currency is coming into Australia and that's bidding up the price of the dollar. That's why I say it's a vote of confidence - there's something like \$430bn worth of investment on the drawing board in Australia. This is unprecedented investment. And overwhelmingly that is for export projects.

NICKEL: Do you feel that we're taking a risk of approaching a currency war, with Japan and Switzerland taking their measures and other countries like Canada and Australia...?

EMERSON: Well, whatever other countries do, we need to do what we think is best for Australia, and to adhere to the philosophy of an open

competitive economy. Our view is that you do your best to support industries to become competitive. And the best way to do that is to remain open and competitive, so that's where our policy effort is directed.

NICKEL: Are you concerned about what Switzerland and Japan have done?

EMERSON: Well, we've run our own race and we've run it on the basis of supporting Australia's open competitive economy, which was fashioned in the 1980s and has laid the foundations for 20 years of recession-free economic growth. It's one of the fundamental reasons Australia avoided recession during what was the deepest global recession since the Great Depression. There were others - fiscal stimulus and obviously our relationship to East Asia - but our engagement with East Asia wasn't a matter of good luck; it was a matter of good management. It was a matter of good leaders seeing that the Asian Century was about to dawn, and positioning Australia to be in the right place in the Asian region in the Asian Century.

NICKEL: So you don't see Australia intervening in the currency markets to weaken the dollar?

EMERSON: Our policy approach continues to be to support, where we can, the competitiveness of industry. We're not a country that seeks to re-fix the dollar and we won't be doing that.

NICKEL: When do you see the Australian currency moving below parity with the Australian dollar?

EMERSON: I'm not a currency speculator.

NICKEL: For the near-term, for sure.

EMERSON: I'm not a currency speculator.

- NICKEL: Another similarity of course is wheat marketing in Australia and Canada.
- EMERSON: Sure.
- NICKEL: How would you say that ending the wheat monopoly in Australia has affected the broader farm economy, and Australia's place in the world wheat trade?
- EMERSON: It's had a very positive impact. Deregulation has gone very well. In fact, a Productivity Commission report of 2010 said it had gone 'remarkable smoothly' in respect of Australian farmers, so there weren't hiccups along the way. But more fundamentally, in that short period the number of export markets into which Australian wheat was sold has - I've got the figures - gone from 17 countries to 41 countries. That's a dramatic lift in export performance and diversification and that's what breaking a monopoly in marketing is all about. That is, to enable competitors to put their best foot forward, to make their best offer to farmers, and it has gone remarkably smoothly.
- NICKEL: So the arrival of multinationals like Viterra and Agrium from Canada and Cargill taking a bigger role? All of that is...
- EMERSON: It has been nothing but helpful. And it has allowed farmers to have choice and a diversity of markets in agriculture. You know the capacity to diversify is pretty valuable to farmers, and monopolies don't tend to deliver diversity; competitors do.
- NICKEL: Any lessons learnt, or snags to avoid, as Canada goes through this? A lot is made of where Australian farmers weren't ready to do their own marketing after so many years of having the AWB do it for them.
- EMERSON: As I say, the transition was very, very smooth once deregulation occurred. It has stepped in

and set up networks and export markets. Look, the basic point here is they had a strong incentive to do that because the traders, if you like, the marketers wanted to maximise their profits. When you've got a monopoly it doesn't necessarily want to maximise profits. It can enjoy, to an extent, the quiet life and not worry too much because there are no alternatives. And this is no reflection on any particular institution, but monopolies tend to get pretty comfortable with the state of the world as it is when there are no alternatives.

When there are alternatives, that means it brings out the best in everyone. If you're a sports person in Canada and you enter a race and you're the only entrant you're probably not going to run very fast; probably not going to train very hard. But if you've got a red hot field, it's going to bring out the best in you. And that's the same in all aspects of life, whether it's culture or sport or wheat marketing.

NICKEL: Does Australia have a position on whether Canada eliminates its monopoly? Does it matter to Australia?

EMERSON: Our approach is for free and open trade, so of course we would support Canada in its efforts. But that ultimately is a matter for Canada's domestic policy. What we're saying, very unambiguously, is that it was good for Australia, good for Australian farmers. We now have 26 organisations accredited to export wheat and, since July 2008 - in three years - we've gone from one to 26. And that just shows that there's money to be made in wheat marketing, and people are making money and at the same time giving farmers a choice. So it's been very good.

NICKEL: Thanks so much for your time.

EMERSON: My pleasure.

