



THE HON DR CRAIG EMERSON MP
Minister for Trade

2GB Money News with Ross Greenwood
13 September 2010

E&OE

Subjects: Trade issues.

GREENWOOD: Well Craig Emerson, of course, who we heard during the election campaign, here on Money News, in debates that were highly popular with Eric Abetz, the Head of the Senate for the Coalition. He's got the job as the new Minister for Trade, and he joins us right now. G'day Craig. Congratulations on the appointment.

EMERSON: It's a great honour, Ross, and thanks very much – and thanks for having me back on the program.

GREENWOOD: Quite okay. Now the issue of trade in Australia, it really is about what we buy and what we sell that determines the health of our economy. Is Australia in good shape from its position of trade right now with the Australian dollar at 93.23 US cents?

EMERSON: We're in improving shape, and we are a trading nation – always have been, always will be. The estimates are that one in five Australian jobs is directly dependent on trade. But gee, Ross, if you added indirect effects and so on – I mean just imagine if we weren't involved in these great export endeavours – our prosperity would be slashed. So we're doing pretty well; as you say, we've got some really good figures coming out. We've got the smallest current account deficit now since March of 2002. We're running trade surpluses. When I was the Shadow Trade Minister some years ago, I think we were up to about 50 consecutive months of trade deficits. It went even further. But now we've been running trade surpluses for a few months, so things are turning around as the big export projects in the mining sector come on stream. So that's all good news. I think really the challenge, then, is what about the other exporters – because that strong exchange rate that you referred to Ross actually is a burden, if you like, on our exporters who are not in the mining industry. So we need to make sure that we continue to have an open, competitive economy and remove impediments to the expansion of exports in the non-mining sector as well.

GREENWOOD: Well, the two that spring out to me right there, as you speak about it – the farmers are number one.

EMERSON: Yep.

GREENWOOD: And those who operate in the tourism trade.

EMERSON: That's right.

GREENWOOD: Because I mean the tourism industry used to be one of our biggest export generators, I kind of guess in terms of the money that was coming from overseas into Australia. But right now as of, I think, early this year or late last year, the tourism industry became a drain on the Australian economy. And the point is – because of the high Australian dollar, because perhaps Australia wasn't seen to be the hottest destination in the world at the time – which is the reason why we saw new ad campaigns come out. Because these two areas are areas where there are enormous amounts of employment, and indeed individual family wealth gets tied up in those two industries.

EMERSON: And regional development, very importantly. Tourism and agriculture are very important – fundamentally important – to our regions. And I think you put your finger on it; both the effects of high exchange rate, where Australians say 'oh, we'll go overseas instead of having a holiday here', and the extra cost to overseas tourists looking at destinations and saying 'gee, it's more costly in Australia with that exchange rate.' And that's why you do see these sorts of tourism promotions. But we've got to do everything we can again to try to keep tourism industry costs down. Similarly with agriculture, I just happen to feel, Ross, that there are enormous opportunities, surely, in high quality – in fact premium quality – horticultural produce into the big emerging markets where you've got those big middle class populations coming up in East Asia. And if we can get things coordinated there, there's got to be big opportunities for that premium quality horticultural produce.

GREENWOOD: So that means you've got to start to cooperate with water ministers, with land ministers, with labour ministers. So, in other words, you've actually got to get a whole lot of the portfolios of your Government together to be able to try and find the land – the employment, if you like – then the trade opportunities which could come if you are to exploit those types of things.

EMERSON: That's exactly right, and I've already begun discussions with Senator Joseph Ludwig, who's been appointed as the Agriculture Minister ... Primary Industries Minister ... and we've already had a preliminary chat which is all that we can do at this stage about that team approach, Ross, of getting all the relevant portfolio Ministers: Joseph in the agricultural area, we need to get our water resources people together, Tony Burke in the population area, and environment, more generally Simon Crean in regional development. I'm a big supporter of a coordinated team approach instead of the old traditional silo approach of the Commonwealth Government Ministries and Departments going back many years now, and I think we'll get a lot out of that.

GREENWOOD: I was going to say, Bob Katter of course, very famously in his 20-point manifesto, suggested that maybe Australia should re-look at raising tariffs. Of course, it was the Labor Government in particular when you had John Button, but also in the Hawke-Keating Government that famously, if you like, started to strip away the tariffs that we have in Australia. Is there any

likelihood that this Government will at least entertain the thought of trying to reintroduce tariffs and try to protect some industries here?

EMERSON: No, and Bob's really barracking for agricultural industries. And agricultural industries get penalised by high tariffs on manufactured goods, so I don't think we're ... I know we won't be going down that path. Julia Gillard has indicated that these were some of the most difficult but enduring reforms of the Hawke and Keating era. I also note that Tony Abbott has said pretty much the same thing. So, bi-partisanship might be a little bit hard to find in this new Parliament but I think we've probably found some there, in terms of not re-erecting the tariff walls that were built up over more than a hundred years in this country, but actually started going down with Gough Whitlam in 1973, I think it was, when he did a 25 per cent across the board tariff cut. But then it was really Hawke and Keating who really got things going in a downward direction across very important segments of manufacturing.

GREENWOOD: But there is some concern of course that, of course, China is buying up Australian farms, that our biggest food companies now are not Australian organisations, they are, in fact, Japanese organisations. The issue here, of course, is that if we are to try and develop these industries they are attractive but certainly it seems as though the attractions in many cases are noted more quickly and readily by international investors rather than Australians.

EMERSON: Well, and of course there are issues of finance in the preparedness of Australian financiers to put the equity funds into these sorts of projects. You know we live in a global economy and we do need foreign investment. We have always been a country that has been heavily dependent on foreign investment. We want Australia to remain an attractive place for foreign investment. We still get a lot of benefit out of big projects and enterprises that are partly or even wholly foreign owned in this country. And I think we shouldn't turn inwards and say 'oh, you know we're against foreign investment'. That again would slash our living standards in this country. Of course there are some areas, Ross, in the economy where people are more sensitive about foreign investment, that's natural. But I think as a general presumption we should be in favour of foreign investment, not against it – in favour of trade, not against it.

GREENWOOD: Craig Emerson is the new Minister for Trade in Julia Gillard's Government, and Craig Emerson we appreciate your time here on Money News.

EMERSON: And thanks very much, Ross.