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MINISTER FOR TRADE

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Subjects: PM's Asia White Paper, trade with China, tax reform.

GLEN BARTHOLOMEW: Well, the Prime Minister has ordered a sweeping review of Australia's relations with Asia, saying the economic rise in the region is now bringing change at a scale and speed greater than the Industrial Revolution.

Julia Gillard has announced a review will be conducted by the former Treasury head, Ken Henry, who will report by the middle of next year.

To look at what the inquiry will entail, Marius Benson has spoken to the Trade Minister, Craig Emerson.

MARIUS BENSON: Craig Emerson, the rise and rise of Asia has been a dominant topic in public debate for a long time. What's the point of a White Paper now? What can it explore that you're not dealing with day to day in policy?

CRAIG EMERSON:

A White Paper would help guide government decision-making to further integrate Australia into the Asian region, in the Asian Century. The reason that we are so well positioned in our region in the Asian Century is not good luck, as our opponents seem to suggest, but as a result of good management; and visionary leadership over 25 years, or even more, going back to Gough Whitlam visiting China before he became Prime Minister; and then, of course, recognising the Peoples' Republic of China as soon as he did.

BENSON:

Visionary leadership and good management you say. But would you agree that the ... fortunate having a lot of iron ore and coal as the basis for Australia's wealth coming from Asia?

EMERSON:

Oh, there's no doubt that being rich in minerals is a great complement to China's voracious appetite for minerals, as it both industrialises and urbanises. But it's very clear, including from my visit when I took 100 business people, that China is keen to diversify the relationship beyond the seaboard and into western China, and beyond minerals and energy and into the service economy, which is three-quarters of the Australian economy.

BENSON:

Australia is very happy to sell material to China. But there always seems like an edge of nervousness on assessment of China: Julia

Gillard in announcing this White Paper talks about the rise of China's power, and the position of the United States in the region. She says the United States will remain the dominant power for the foreseeable future, but there does seem an edge of nervousness.

EMERSON:

Oh, I don't really accept that. I mean, we think that with the rise of economic power comes broader responsibilities. But we're indicating to China that we want to deepen the relationship. And, of course, we've just seen the go-ahead for the big Wheatstone project in Western Australia: a \$29 billion LNG project. You know, during the period of the previous Government there was one such project - and good on them for that. But there are so many these days that are getting the go-ahead - 10 of billions of dollars - that they're not really making the news.

BENSON:

Are all trade deals, all commercial links good? And are more commercial links better? Because there is some anxiety being expressed, particularly most recently in Western Australia, over a coal deal with China which would see the ownership of all coal in Western Australia in foreign hands. Is that something that causes the Government concern?

EMERSON:

Well, there are Foreign Investment Review Board screening processes that I'd have to

say, by international standards, are reasonable; they're not highly Draconian. But I think we've got a good balance here. But to answer your broader question - is more trade better - unambiguously, yes. If you asked the National Party, I've seen recent newspaper reports saying that perhaps on the part of the National Party's belief system, there's too much trade. Well, what do they mean: that there's too much income for their farmers; too many jobs being created?

BENSON:

This study of Australia's links with the Asian region, the White Paper is being conducted by Ken Henry, the former Treasury head. The Opposition makes the point that his tax review came out nearly two years ago, and it has done little but gather dust, most of its recommendations ignored. Is this White Paper going to be ignored equally?

EMERSON:

Well, I'm thrilled that the Opposition supports the recommendations of the Henry Tax Review, because a key recommendation was the Mineral Resource Rent Tax, in order to fund small business tax relief, and a cut in the company tax rate.

BENSON:

The Opposition's point is that that may have been adopted, but about 136 other recommendations were ignored.

EMERSON: Well, I think it's in the ... around 30-odd recommendations have been accepted, including trebling the tax-free threshold, which is part of the carbon pricing mechanism, which the Coalition has pledged to reverse.

So I don't think we need lectures from the Coalition on tax reform, when in fact it's been Labor Governments that have cut high marginal and medium marginal tax rates and improved work incentives for low-income earners. And it's usually the Coalition that has either opposed, or in some cases even reversed, those. And the Coalition has actually won the gold medal for the highest-taxing Government in Australia's history.

BENSON: Craig Emerson, thank you very much.

EMERSON: Thanks, Marius.

BARTHOLOMEW: Craig Emerson is the Trade Minister in the Federal Government, and he was speaking with Marius Benson.

