



THE HON DR CRAIG EMERSON MP
MINISTER FOR TRADE

Transcript

Sky News Australian Agenda with Peter Van Onselen, Paul Kelly, Dennis Shanahan, Piers Ackerman
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VAN ONSELEN: I don't doubt that we will discuss climate change with our political guest who, as I mentioned earlier, is Dr Craig Emerson, the new trade minister, recently promoted to Cabinet. Congratulations.

EMERSON: Well, thanks very much. It's a great thrill and a great honour.

VAN ONSELEN: Let me - first question, let me ask you, in terms of trade, how much longer is Australia going to continue to prop up sometimes uncompetitive manufacturing industries?

EMERSON: Well I think as Trade Minister, and as an economist, we need to allow resources to flow to those sectors of the economy that earn the greatest rewards for Australia. Now manufacturing has been much maligned in Australia, but the fact is manufacturing is holding its own. Certainly in absolute terms it's a proportion of the economy with the mining boom. It's probably shrinking relatively and it's interesting, Peter, that when we think of Australia as a mining country, that's true and a lot of services spring off that and some manufacturing as well because of the processing of minerals. But about 85 per cent of the jobs in Australia are actually created by the service economy.

So I think it's important to note that the service sector is really important. No doubt we'll get onto some of the trade policy issues, but that might be a way of breaking the impasse in the Doha round.

But to answer your question, I do believe in the free flow of resources amongst the sectors of the economy and the economic signals would be that more resources will go into mining, whether it's capital, labour skills and so on, well that's how it should be. But then we have to handle...

VAN ONSELEN: In terms of...

EMERSON: ...that two speed economy.

VAN ONSELEN: And in propping up things like manufacturing though, how much for you is it going to be driven by an ideological belief in a freer trade environment, versus the realities of a heavily unionised sector that has links to the Labor Party?

EMERSON: Well I think we've got a very good record here and that is that Australia has been, and I would acknowledge this for both sets of political parties, Labor and the Coalition, we have been a trading nation that has reduced our protective barriers, and certainly when in my first week as trade minister I went over, people actually turn to Australia and say, what do you think? Not because we are a huge economy but that basically we have allowed this free flow of resources out of one sector and into another. So look...

KELLY: Minister, one of the issues...

EMERSON: ...I think it's all right to say oh well, there's some subsidies going into the car industry, but if you look at the broad context of Australia, we do pretty well.

KELLY: One of the big features of the global trade debate is the argument, particularly coming from Europe that there should be trade retaliation against those countries that aren't prepared to price carbon. To what extent do you think this is likely to materialise in coming years and what's your response to this sort of threat?

EMERSON: It is an emerging threat. There's no doubt about it. There are early signs of this already happening. We won't cop governments cloaking protectionism in this sort of green cloak of respectability, where it's just old protectionism. It's just designed in fact to protect their own domestic industries and they say now, oh but this is all so that we can have a cleaner environment. Let's understand what this is and what motivates it.

What it actually is is all those old protectionist instincts coming out and we will use whatever rules, trading rules there are through the WTO to fight against the use of these devices to protect industries in Europe, or anywhere else, against competition.

KELLY: Is this a serious threat to Australia?

EMERSON: It's an emerging threat and we are watching it very carefully and we are obviously campaigning against it. You've got Martin Ferguson, the Resources, Energy and Tourism Minister, who's onto this and we will use whatever capacity we have, under the World Trade Organisation rules to rail against this, to work against this.

Of course we are committed to putting a price on carbon but let's not believe that this is all about climate change. There is a very clear

European protectionist instinct, old protectionist instinct, under this green cloak of respectability and we won't cop it.

SHANAHAN: Minister, you mentioned Doha. Now I've become so used to only hearing that from Simon Crean. It takes a little while to adjust. To what extent, and you've been talking about Doha since you became minister...

EMERSON: I have.

SHANAHAN: To what extent can you actually see progress at the next round, particularly given the midterm elections in the US?

EMERSON: Well of course as you know, the context is that the negotiations stalled in 2008, and I want to pay tribute quickly to Simon Crean. He's a very gritty character and he's been trying to get those negotiations going again. In this recent trip to the United States, I found some reason for hope, that the US administration itself and obviously some other countries and the WTO itself are keen to restart those stalled negotiations. This is where the big gains come, in the multilateral liberalisation of trading rules.

And I think that in the case of the United States for example, they can't, and they know, keep stimulating the economy, which is undergoing an anaemic recovery. They need to export more. When you export more, when you get a relaxation of the world trading rules, so I can see things actually potentially merging here, where the politics and economics work hand in glove.

ACKERMAN: Minister, you dealt with the question of old protectionism coming from Europe, but isn't there a great threat even closer at hand, given your close relationship in the new government with the Greens, that they will be asking this government to adopt protectionist [measures] particularly when environmental issues are involved abroad or even Labor standards abroad? Won't you - won't Bob Brown be demanding that this government pay, you know, more rigorous concern to that?

EMERSON: Piers, I think what'll happen is that the Greens will articulate a Greens platform. Labor will articulate a Labor platform. On some matters, we may agree with things, on other matters we won't agree with the Greens...

VAN ONSELEN: But the delicate balance of the government means you'll have to agree with them more than you might otherwise.

EMERSON: Well not necessarily. But if they put up good policy proposals that we believe are in the national interest, just as if the independents do that, indeed if the Coalition does that, we will look at those policy proposals but we will not...

KELLY: Could we just go to Piers question?

EMERSON: Yeah, we will not be in a position obviously where the Greens say this is what we want and then Labor says, well because you want it, we'll implement it. And they understand that, we understand that.

KELLY: But if we just go back to the basis of Piers' question, in policy terms do you support or oppose environmental and Labor standards provisions being included in trade agreements?

EMERSON: Yeah, I personally don't. Now that might be controversial...

KELLY: What about the Government?

EMERSON: Well I don't think that we have sought to insert those into trade agreements in the past and I don't see that being a problem.

KELLY: But that's what the Greens will want.

EMERSON: Yes well of course and they also want...

KELLY: So you oppose that?

EMERSON: They also want issues such as same sex marriage, which is not Labor party policy, which Julia Gillard, just two or three days ago said marriage, under the Marriage Act, is a union between a man and a woman. Now the Greens say they want same sex marriage. Does this mean that we will adopt a policy of same sex marriage? No it doesn't. The Greens understand that.

KELLY: Right so back to trade...

EMERSON: [laughs] I was coming back to trade. You knew that. And again, I've seen some encouraging remarks from Julie Bishop on behalf of the Coalition, saying that we are trading nation. We should continue to work, the work to liberalise trade. If Julie's words are backed up by support in the Parliament that would be a good thing because that's what we want to do, continue to liberalise trade in goods and services.

So the support that we get and I think the introduction pointed out that it's a very tight parliament - there may be, you never know, you never know, there may be some issues on which the Coalition actually supports Labor.

ACKERMAN: Minister, you talk about marginalising the Greens push...

EMERSON: I didn't say that.

ACKERMAN: Well, effectively you have on these two issues, Labor standards and the environment in terms of free trade. Yet this week, we've seen Labor's agenda sort of overshadowed by the Greens' agenda for euthanasia and gay marriage. I mean are we going to see a plethora of small issues, which are not part of the Labor platform I agree, but are they going to dominate this new hybrid parliament?

EMERSON: I think the nature of the Parliament is such that any political party, or independents, who say they want to bring forward a Private Members Bill will be able to, will be able to - I don't know about the scheduling

of such a bill but we've also had Tony Abbott saying that he will bring forward a Private Members Bill on the Wild Rivers Program in Cape York. This is the nature of the Parliament. It doesn't mean that this is the Labor Government's agenda but let's not be afraid of independents, the Coalition, the Greens, saying these are the sorts of policy issues that are important to them.

In many senses, it's a pretty exciting time, but I'm quite aware that if all we were doing Piers was reacting to each and every proposal from other political parties and the independents, we would give the impression that we don't have an agenda, whereas in fact we do.

VAN ONSELEN: Minister...

EMERSON: We have a very clear agenda and we will prosecute that agenda. The last thing I'll say on it is this, Tony Abbott in the Parliament, in this week, said we will hold Labor to our election promises. All right, we've said that we'll bring the budget back to surplus in 2012-13. We've outlaid for the Australian people, laid out for the Australian people, a way of doing that, a program of doing that, a program of doing that, including means testing the Private Health Insurance Rebate. Let's hold Tony Abbott to his promise to keep us implementing our election promises to bring that budget back to surplus.

SHANAHAN: Minister, you mentioned the two speed economy in your introduction there.

EMERSON: Yeah.

SHANAHAN: To what extent are you concerned about a slowdown in China affecting Australia's exports and to what extent can the mining tax actually affect the two speed economy and what affect is that going to have on the trade with China?

EMERSON: China is an incredible phenomenon and it will continue to grow but I don't think anyone's under any illusion that the growth path will just be exponentially smooth. There are times when it grows a little slower. There will be times when mineral supplies from around the world come on-stream, which is going to happen sooner rather than later.

All of that can have an impact on our terms of trade, which are at the highest levels for almost sixty years. But we've factored that in. The Treasury has actually factored that in to the budget forecast. So my answer is it will continue to grow. It may not do it in a completely smooth way but we're taking that into account. But it also means Dennis that as Trade Minister with an interest in a domestic competitiveness agenda, we need to ensure that our non-mining industries are very viable and competitive to pick up the pace if the mining industry slows down.

VAN ONSELEN: Minister, can I ask you though, you well know how volatile commodity prices can be, yet the structure of the new mining tax relies heavily

on commodity prices for the revenue streams that come in. Doesn't that make forecasting for the budget incredibly volatile?

EMERSON: Well we've had a Petroleum Resources Rent Tax in place for 25 years...

VAN ONSELEN: But now it's much broader than that...

EMERSON: ...same consideration, you know, the task of predicting oil prices over the forward estimates has never been an easy task but it hasn't meant that the budget has lacked integrity. In fact the Coalition got \$16 billion out of the Petroleum Resource Rent Tax and it didn't bugger up their budgets.

VAN ONSELEN: But we're not able to see what the commodity price assumptions are for the new mining tax and we've got the budget returning to surplus in three years' time, only just. Now so much politically has been put on this idea of returning to surplus in three years' time but it is only just and it seems to be based on higher commodity price assumptions. It wouldn't take much for that to fall away very quickly.

EMERSON: No well the budget will be back in surplus, 2012-13...

VAN ONSELEN: No matter what happens...

EMERSON: ...which will be ahead of any other major advanced country, the biggest fiscal consolidation since 1960. So this is a very big achievement and Julia Gillard has reiterated, time and time again, if you can reiterate something time and time again, it's a bit of a - bit of an oxymoron or something like that. Anyway...

VAN ONSELEN: You say it's a very big achievement but it's not yet an achievement.

EMERSON: Yes, but I'm saying - well we're heading towards a surplus and we rely, unlike the Coalition on Treasury forecasts, on commodity prices. The Coalition thinks the way to put a budget together is to go to an accounting firm, which is just so laughable, and get their budget estimates out of that and then of course when they were forced to project - put those in front of the scrutiny of Treasury and Finance, what did we find a \$7 - \$11 billion black hole.

ACKERMAN: Minister...

SHANAHAN: Minister, you talked about - sorry.

EMERSON: Don't get excited.

SHANAHAN: No, no, it's fun. You mentioned the Petroleum Resource Rent Tax and of course I don't have to tell you how that was introduced.

EMERSON: No.

SHANAHAN: Nor do I have to remind...

EMERSON: My modesty would prevent me from doing that.

SHANAHAN: Nor do I have to remind you that it didn't apply to existing product - projects. The mining tax does. How confident are you as Trade Minister about the forecasts that Treasury is relying on and the forecasts with the growth in China?

EMERSON: Well I'm confident of those forecasts, of course I am and the forecasts are for a period of, you know, the forward estimates. No one can predict commodity prices 15 or 20 years hence...

SHANAHAN: Do you really think people know what's happening in China?

EMERSON: Well I think that what's happening in China as I said is a phenomenon. Just about every time we feel that we've got a fix on what's going on in China, it's bigger than that. It's enormous what's going on in China and I don't think that there is grounds for pessimism about China's expansion, there are grounds for ongoing optimism about China's expansion.

KELLY: Minister, on this point about China, Minister. Now in some ways the biggest debate in global trade at the moment is American concern about the Chinese exchange rate, the fact that it's undervalued and we are now seeing very strong support in the United States for retaliation against China. What is your view? What is your view of this American action?

EMERSON: Well my own view is that the Americans are basically fed up and I can understand why. There was a very strong resolution out of the Congress, a bipartisan resolution, which in a sense was symbolic, because it basically said that the authorities could implement retaliatory measures if they wanted to, but it did reflect an exasperation I think on the part of the United States, that its manufacturing and other export industries are being artificially disadvantaged by China's exchange rate policy.

So I think there's a real issue here and I know it's not as easy as just clicking your fingers in China to adjust the exchange rate because that will affect the competitiveness of their exports.

KELLY: But do you think America's got a justified case for continuing?

EMERSON: Well I think that it would be an appropriate response, if the Chinese did adjust the exchange rate but I also know that public calls for doing so tend to be counterproductive. So I'd just like to see it happen over time as a natural sort of adjustment. If they want to present themselves frankly as having market economy status, well let's have a few market forces applied to the exchange rate.

ACKERMAN: Minister, I'd like to take you back to your earlier remark about keeping election promises. Now during that election campaign, Julia Gillard made it very clear there'll be no carbon tax and the other thing she

said, right at the onset of her Prime Ministership was that the details of the negotiations, the deal done, with the three major mining companies would be revealed last month. When will this be revealed?

EMERSON: Well the details are revealed on the Minerals Resource Rent Tax...

VAN ONSELEN: What about the commodity prices for instance?

EMERSON: The details are revealed. The committee, the Argus Committee - of which Martin Ferguson is a member is looking at the transitional arrangements, and it is true, for existing projects. If I could quickly go back. The PRRT did apply to existing projects, that is to Bass Strait, but that's when they asked for it. They asked for it. That's true but it did apply to the major oil and gas producing province at that time in Australia.

The details are known. What is up for negotiation is the valuations of existing projects, the implementation measures in relation to the Minerals Resource Rent Tax.

VAN ONSELEN: Minister, one final question and then we'll let you go. Politically Labor hit John Howard over the head for years, including yourself about the GST, him saying never ever and then implementing it. Now he went to an election before implementing which he won in 1998. Julia Gillard ruled out a carbon tax ahead of the election. She's now flirting with the idea of implementing it before the next election potentially. How do you justify that?

EMERSON: Well what Julia did say before the election is that we will seek to build a community consensus - consensus about putting a price on carbon. That's exactly what this committee will do...

VAN ONSELEN: She also ruled out a carbon tax...

EMERSON: Well...

KELLY: No carbon tax.

EMERSON: And Julia, quite correctly, said I'm not going to get into the rule in, rule out, rule in, rule out, so that the terms of reference of this committee become so tiny that it can't actually do its work. Let's see what the committee comes up with. I would suggest there is a possibility that it will come up with a recommendation to put a price on a carbon, which is what we talked about before the election, putting a price on carbon.

The two vacant seats are vacancies because Tony Abbott believes climate change is absolute crap. He won't even let Malcolm Turnbull, who actually believes in putting a price on carbon, sit on that committee. He should do that, but he won't. He'll be opportunistic because he's completely committed to trying to wreck any effort to put a price on carbon, which Paul, going back to the earlier questions would help us somewhat in the international arena, in terms of this sort of green protectionism. If we are seen to be doing the right thing in terms of putting a price on carbon that will help.

But we won't cop this green protectionism, which is just old protectionism, so I guess we're ending this interview pretty well where we started.

VAN ONSELEN: All right Minister thanks for that segue.

Minister for Trade, Dr Craig Emerson we appreciate you joining us on Australian Agenda.

EMERSON: A real pleasure, thank you.