



**THE HON DR CRAIG EMERSON MP**  
MINISTER FOR TRADE

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**ALI MOORE:** Our top story is the push for reduced trade tariffs, which emerged from the APEC meeting in Hawaii which wound up today. Australia's Minister for Trade Craig Emerson was deeply involved in the talks, and joined us just a short time ago from Canberra.

Craig Emerson, fresh off the plane from Hawaii, many thanks for joining Lateline.

**CRAIG EMERSON:** My pleasure, Ali.

**MOORE:** This Trans-Pacific Partnership includes Australia, the US and seven others - along the lines of Singapore and Vietnam, Chile and Peru. No Japan, no South Korea - also big trading partners - and no China.

We'll get to China in a moment. But given we already have a free trade agreement with the US, if they're the only major player in this partnership, how valuable will it be?

EMERSON: The partnership already constitutes about a quarter of the world's gross domestic product. And if Japan came in - and also today there were expressions of interest from Mexico and Canada - but even if Japan came in, it'd be a third of the world's GDP. So a third of the global economy is a big proportion. And those countries are expressing interest which, if they did join, would take it to 12.

MOORE: So, as it stands now, though, can you quantify the gains, particularly over and above that free trade agreement we already have with the US?

EMERSON: Well, we've done a lot of the heavy lifting over the last 25 years in reducing our own tariffs, in fashioning the open and competitive economy which has actually contributed to two decades of recession-free, strong economic growth in this country.

Some other countries have also been doing that, perhaps not quite as much as us. And so there would be more market opening, and that's more opportunities for our exporters. Obviously, they say to us - whether they be farmers, small business people, larger corporations - that they want access to the region's markets. And that's what the Trans-Pacific Partnership would improve.

MOORE: But with Australia, the US and the seven other nations that are currently signed up - although it's not quite finalised ... but can you put a number; can you quantify the benefits from those nine countries?

EMERSON:

No, and I was asked this in Honolulu with the Prime Minister. It is a concept that's taking shape. And, frankly, if an economist came along and said he or she had estimated the benefits at a particular number of billions of dollars, they'd be pulling your leg.

What you really need to do is examine what business is seeking. And what business is seeking, what farmers are seeking, is better access to these markets. And that's what the Trans-Pacific Partnership offers.

It has this unique ingredient, Ali, at the moment: and that is political momentum. I was in the room with President Obama and the other leaders - obviously with our Prime Minister - and the President's really strongly committed to this. That's the biggest economy on Earth.

And so when you've got the President of the United States seeing this as his baby, something that he wants to deliver, well that's good news - because they are indicating through a statement that they volunteered that they want to eliminate all tariffs over time. So that would be a very big gain for Australian exporters.

MOORE:

And a bigger gain, as you said, if Japan comes in, and also South Korea. But how realistic is that? It would have to be a long haul, because Japan would have to make very significant concessions, particularly on the agricultural front, wouldn't they?

EMERSON:

Yeah, it would and the significance therefore of Japan indicating an interest is this: that they are signalling that they're prepared to reform their domestic economy.

They do want to engage more closely with other countries in the region. They haven't been growing, Ali, for the best part of 20 years. And Japan realises that it needs to reach out and integrate itself more successfully, but that does mean domestic reform, which has proved too hard for Japan for a very long time.

So that's why this is so significant. Because the Prime Minister of Japan and the ruling party are saying they are prepared to tackle the necessary domestic reforms, including in agriculture.

But what all nine TPP partners have said is this: 'we want to maintain a high level of ambition and we want to maintain the very rapid pace of negotiations, so we'll do that'. And then, of course, Japan's interest will be the subject of consultation with each party, as will Canada's, as will Mexico's.

MOORE:

A high level of ambition, as you said. Eliminating tariffs: the main tariffs in this country are on automobiles and textiles, clothing and footwear. Would those tariffs have to be eliminated for the TPP to work, for this partnership to work?

EMERSON:

Over time, frankly, they would. They're down to ...

MOORE:

Over what sort of time period?

EMERSON:

There isn't a specified period, but the really landmark decision that was taken in Honolulu was that tariffs would be eliminated over time. And we're very pragmatic about this.

Other countries will not be committing to eliminating them on the day of implementation of this agreement. Better to

make the adjustment manageable and to have those phase-downs in a way that is manageable for their domestic economies. And in Australia ...

MOORE:

Do you have a sense of what's manageable in this environment, because of course you've got a battle on two fronts? On the one hand, the unions say now is not the time to cut tariffs - the little tariffs that do remain because of the high dollar - and the Greens on the other hand say that, for example, this would force Australian farmers to compete against low-wage economies. And, of course, you'd need the Greens to get any tariff changes through Parliament.

EMERSON:

Oh, well, I think we'd be looking to the Coalition to support this. The Liberal part of the Coalition has come out positively today. The National Party component of the Coalition has come out negatively today. Every day they are looking more and more like the One Nation Party. And I suppose the legitimate fear is that the Barnaby Joyces of the world, preaching economic Hansonism, are having a pretty strong influence on Mr Abbott.

But you've got others like the Deputy, Julie Bishop, who does actually believe in the open, competitive economy, and a number of backbenchers. So, let's see how it unfolds. But the truth is Australia has done nearly all of the necessary heavy lifting over 25 years, so why would we now say that we don't want to be part of a partnership involving the biggest and third-biggest economies on Earth? This is now the time to cash in on those opportunities.

MOORE: The unions would argue the tariffs that remain on those very specific sectors are vital to the competitiveness of those sectors. Do you sacrifice that to be part of this broader community?

EMERSON: Well, I don't think that a 5 per cent tariff, phased down over time, is going determine the economic future of industries in this country.

MOORE: Then, why have them in the first place? Why not get rid of them now?

EMERSON: Well, indeed, indeed - bearing in mind that when the Hawke Government was elected, tariffs on automotive vehicles and components were 57.5 per cent. They're now five. So the ...

MOORE: So, if you had your druthers, would you take away that five today?

EMERSON: I'm just saying the future is not in tariff protection; the future is open and free trade, which the Prime Minister said today: 'we have nothing to fear from free trade. We benefit from it'. Our exporters benefit from it. And the answer is no, I wouldn't seek to remove those tariffs overnight. No-one is asking anyone to remove tariffs overnight. Other countries won't be doing that.

But, you're right in terms of the remaining tariffs: 5 per cent on auto and it'll be 5 per cent on textiles, clothing and footwear by 2015. And yet, the 48 least-developed countries of the world already enjoy tariff-free entry of their textiles, clothing and footwear into Australia.

So, that remaining tariff wall from 2015 won't be doing a lot of work on textiles, clothing and footwear, when the big

producers of basic items of textiles, clothing and footwear already have duty-free or tariff-free entry into Australia.

MOORE:

Let's look at China; not part of this agreement. As one commentator described it, this partnership focuses on labour, the environment, intellectual property protection, rules against currency manipulation and favouritism of state-owned enterprises. It's almost as if it has been deliberately designed to exclude China.

EMERSON:

Well, that's not right. And it does include Vietnam. And Vietnam, for example, has state-owned enterprises. And its origins - if you like, its philosophical origins - are not all that different from China's.

China itself is a great trading nation for us. We get a lot of our prosperity from trading with China. And all APEC countries would be welcome over time if they can demonstrate and want to demonstrate the same high level of ambition. Indeed, one of the real attractions of this Trans-Pacific Partnership is that they are all APEC economies. Three more APEC economies just in the last, what, 48 hours have expressed an interest in joining. And the real vision for APEC itself, which is an Australian creation, is a free trade area for Asia and the Pacific, which would include China; which would include China.

MOORE:

But, as you said, you've got to meet the hurdles. And you would be aware that President Obama has made some very frank and indeed tough comments by diplomatic standards aimed at China. He says the US is fed up with China's trade and currency practices.

"Enough is enough," is the direct quote. He's demanded China stop gaming the international system and create a level playing field. "We don't want them to take advantage of the United States." Are they fair comments? Do you support them?

EMERSON: Well, as I say, we have a fantastic trading relationship with China. We would like China and every other country on Earth to continue opening its economies up to trade - because for Australia, trade equals jobs for our working people.

MOORE: But do you think they're gaming the international system?

EMERSON: Well, I don't want to get into a running commentary on China. We have a great relationship with them. We have rules under the World Trade Organization. And our Prime Minister, Julia Gillard, is spearheading a new way of approaching the Doha Round - and bear in mind that China is a member of the World Trade Organization; joined in 2001 - that would break up this round, which is now on a pathway blocked by a roadblock, into its constituent issues, and then bring them home one by one. That's us again, Australia, advocating free and open trade, which includes China - which vitally includes China.

MOORE: But, as I said, you've also ... you've heard the comments from the President. Chinese officials have made two comments. One is that they refuse to abide by international economic rules that they have no part in writing. The other is that if they're not in the partnership, it will lack heft.

EMERSON: Well, I think a partnership that consists of nine economies, and possibly three more -

including the first and third-largest economies in the world - is big; is big. There's no doubt about that.

And it will, I think, continue to expand over time, because it's got political momentum. There's an absolute commitment, not to just have some pretty words and some wrapping on it, but something that's got real grunt, or real meat and potatoes, if you like. That's what we're seeking and that's what the President is seeking. And I think that's really good news.

You know, when there's all this protectionism around the world, to have the President of the United States, to have all 21 APEC economies today committing to a standstill on protection - not only to 2013, which the G20 countries have committed to last week - but to 2015, and that includes China, is a great achievement.

MOORE:

Of course, this announcement does come - this partnership comes - just a couple of days before Australia and the US are due to announce closer military ties. If you put the two together, and America's stated aim of returning to this region, of being stronger in this region, what do you think that means for the Australia-China relationship?

EMERSON:

I think the Australian-China relationship will go from strength to strength. That's the truth of it. And as Trade Minister, I'm doing a lot of work on that. We are seeking to broaden and deepen our integration with China and with this, the Asian region in the Asian Century.

You wouldn't want to be any other place on Earth than Australia, that's locked into the growth that's occurring in the Asian region

in the Asian Century. No accident, Ali; a result of visionary leadership, much of it by previous Labor governments: Hawke and Keating. And now Julia Gillard is launching this white paper exercise called the Asian Century White Paper which is designed to broaden that integration.

MOORE:

It's also, I guess, no accident; it's a lot to do with our geography. But isn't it logical that China will see this partnership, this Trans-Pacific Partnership, as a vehicle for the US to expand its influence in the region? And couple that with the military announcement, that it could be a potential source of tension?

EMERSON:

Well, I don't think so. More trade is better trade. And it's not a matter of being in any way anxious about an economic powerhouse wanting to open up its borders and trade with the fastest growing region on Earth.

I mean, I'd see that as a bit of flattery, actually, that the United States is indicating through President Obama and Secretary of State Hillary Clinton a little earlier saying that America wants to plug into the Asia-Pacific Century. Well, good on America.

Australia's here and we want to work with America, with China, with Japan, with all those APEC economies. And yeah, sure, geographically, you're right: we're in the region. We've got minerals. That's a blessing, given the industrialisation and the urbanisation of China.

But we wouldn't be able to take advantage of that without the economic reforms of the last 25 years, initiated originally by Bob Hawke and Paul Keating, to create the

open and competitive economy, now continued by Julia Gillard.

And then you've got the contrast of the economic Hansonism, almost a Fortress Australia, that Mr Abbott is trying to cash in on - seeking to prey on anxieties about the future. Well, we don't need to be anxious about the future; we have a brilliant future in this region.

MOORE:

Well, Craig Emerson, we very much appreciate you coming to talk to us after such a long flight. Many thanks for joining *Lateline*.

EMERSON:

Thanks, Ali.