

The Hon Dr Craig Emerson MP
Australian Minister for Trade

Q and A at the launch of the Australian Services Roundtable's report

Subjects: Trade policy, Transcript, E&OE

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QUESTION: Thank you, Minister. I enjoyed your speech very much and I'm picking sort of in the last little piece that you said on the role of bilaterals.

I'd be interested to hear your views on which Australian bilaterals do you think are in fact contributing to the multilateral objective that you said should be the criteria and which are not.

EMERSON: I've had that question before and my answer is that there's a Productivity Commission report that's in draft form now, and I know the Department of Foreign Affairs and Trade and I'm sure many others will be contributing a submission to the draft report. Then that will be completed I think around November. I'd rather await the analysis of that report before coming to any conclusions about that.

But as I reiterate, where they do genuinely contribute to global trade liberalisation or to regional trade liberalisation, which in turn contributes to global trade liberalisation, they are well worth having. I think we need to move beyond the debate about labels. As I had occasion to say recently, if all a bilateral agreement constitutes is an ornament on the mantelpiece of the national economy, then it's not worth having. But if its content is pro-liberalisation, then it is worth having. Let's have a look at the work that's being done by the Productivity Commission and then I'll be in a better position to answer your question later in the year or early in the new year.

QUESTION: My apology; I should have introduced myself. Malcolm Holdsworth from the ANU.

EMERSON: No problem.

QUESTION: Minister, you speak about some of the differences without dwelling on it too much between Labor and the Coalition's approach to trade policy. What are those main differences?

EMERSON: I think that the Coalition was unduly pessimistic about multilateral trade negotiations. When I was the Shadow Trade Minister, there were statements from the Coalition in government saying, effectively saying that the Doha Round's going nowhere and therefore we need to go into the bilateral agreements.

As I say, I'm not against bilateral agreements in principle, but essentially they seemed to pretty much give up on the Doha Round on multilateral trade liberalisation. And as everyone

in this room would know, the big gains, the really big gains come from multilateral trade liberalisation because they give full expression to full specialisation amongst countries. Now, I think the Coalition would recognise that, but I feel that they were unduly pessimistic about the prospects of completing this round.

All these rounds are difficult to complete. I referred to my time when John Dawkins set up the Cairns Group of Agricultural Fair Trading Nations. There was a lot commentary around at that time saying the Uruguay Round would fail, that it would not be completed. And it did come to fruition and it did involve genuine liberalisation. So let's give Doha a real chance and a real push. And that's what Julia Gillard is doing overseas amongst her other duties while in Europe.

QUESTION: Minister, off the trade track, if I may take it there, that's still overseas. Tony Abbott has said that he was too jetlagged to visit, or he was worried about being too jetlagged when he got to the UK to visit the troops in Afghanistan with the Prime Minister.

Do you think that that's a fair excuse, or has he put meeting members of the Tory Party ahead of meeting Australia's troops?

EMERSON: Look, I will - I don't want to stray very much beyond trade. I'll simply say this, that Julia Gillard's determination was that the first visit that she would make overseas was to our troops in Afghanistan. She regarded that as very important. Mr Abbott obviously has a different view.

But I don't want to dramatise that. Julia's working very hard in Europe pursuing our trade interests and economic interests and also she's met, as you know, with NATO who have confirmed that we have the largest non-NATO contingent in Afghanistan. So I think that's where we should leave that.

But I think Mr Abbott's travel plans are a matter for Mr Abbott, but Julia Gillard certainly was determined, determined that the first visit that she would make overseas would be to Afghanistan to visit our troops.

QUESTION: Dr Emerson, in your senior role, would you like to revisit the parallel import [indistinct] again?

EMERSON: Well look, I think we've had that debate and I respect the outcome of that debate. I think there will be ongoing competition from new forms of books_ e-books and the various innovations that we are seeing on almost a monthly basis. And that itself will ensure that the Australian and international publishing industries producing the conventional books are competitive because they have to be competitive against these new forms of technology. So I think that'll sort itself out.

QUESTION: Dr Emerson, in which services industry do you think Australia has the most comparative advantage?

EMERSON: Well, one way of answering that is in the sorts of negotiations that have started in relation to clustering - let me just explain the clustering concept.

Given that services are the dominant feature of all developed countries and increasingly of course of developing countries as they move through the stages of development, if we sought to negotiate on each and every service at the same time, it would be a massive negotiation.

So what Australia has done has said, let's look at clustering different types or various types of services that work together. And the area that we've been emphasising is in transport logistics; that is, when a product arrives overseas at a port, it then needs to be transported efficiently to a final market. And those barriers for those services; that is, transport logistics, can be quite substantial. That's why they're called behind-the-border restrictions.

So the Australian negotiators have really emphasised those transport links in getting physical goods from ports, whether they be seaports or airports, into final markets, and that itself would obviously facilitate trade in those goods but also give Australian businesses an opportunity to engage in those services in developing countries and developed countries as well.

Another area which is clear that Australia has a strong comparative advantage is in engineering services related to the mining industry. And again, we have such strengths there because we've been so good at mining here in Australia that we're already doing pretty well in that area. Any liberalisation that is required there can only be to the good of both the other country and to Australia.

And another area where we have some real advantage is environmental services. And again, that's an area or a cluster in which we're interested. The United States, you should know, is pushing liberalisation of trade in information and communications technology services. It shouldn't be a surprise given the US creative role in ICT innovation.

So there are a few examples for you, John, of the areas where we think we can make progress without biting off every possible opportunity if we can cluster them and make progress in those areas. Add that to the arrangements that were on the table in 2008 which can be further strengthened, then we might have a very good package for governments to consider as the conclusion of the Doha Round.

QUESTION: Dr Emerson, there's been criticism that Australia's trade negotiations lags behind the Kiwi's specifically in relations to a free trade deal with China. Why aren't we able to achieve the same level of trade liberalisation as that country, and doesn't it hurt our agricultural sector considering [indistinct]?

EMERSON: Well I'm not sure that I accept that we lag behind New Zealand. We work with New Zealand on trade liberalisation and I don't want to return to history too much but it was Australia that actually formed the Cairns Group of fair trading nations. We work with New Zealand and we'll continue to do so and - but you're right that there are opportunities for further liberalisation of trade in agriculture that we are pursuing and we are pursuing them both bilaterally and regionally. And any progress that we can make there we will do so on behalf of our primary producers.

QUESTION: So why have you failed to get the Chinese [indistinct]..?

EMERSON: Oh has New Zealand settled a full free trade agreement with China?

QUESTION: It's my understanding yes.

EMERSON: Yeah well I think that there's still some way to go there. But we will keep working with various countries including with China to seek further market access into China, into India, into other fast growing countries of our region, while at the same time pursuing this liberalisation through the multilateral forum, the Doha round.

QUESTION: [Indistinct]...

EMERSON: Well there are potentially enormous gains from liberalising arrangements with China and we will seek to pursue the liberalisation of trade with China, consistent with our efforts to achieve regional and multilateral trade liberalisation.

There's a relatively new forum for trade liberalisation called the Trans Pacific Partnership which we're keen on, the United States is keen on. It happens that the members of the Trans Pacific Partnership arrangements are all members of APEC. So it could be a force for regional trade liberalisation in a smaller number of countries who are all very keen on liberalisation. So you can see that we will seek to utilise those forums that offer the potential for liberalisation of trade in agriculture, manufacturing and crucially, in services.

QUESTION: [Indistinct]...

EMERSON: Well the architects of WorkChoices have spoken out. The member for Mayo is Jamie Briggs. He had a very important role working for John Howard in preparing WorkChoices. He has spoken out saying that aspects of WorkChoices need to be brought back.

The former Shadow Minister for Small Business who was my counterpart, Steve Ciobo, who I think unjustifiably, has been demoted first by Tony Abbott to the outer ministry and now to the backbench has also joined in that chorus. And all that tells us is that WorkChoices is not dead. It's just resting and if Tony Abbott were able to get the - I think it was the blue parrot, squawking again he would certainly do that. The Norwegian Blue I think it was. If he can get that Norwegian Blue called WorkChoices squawking again he'll certainly do it and there's a fair bit of squawking going on the backbench to try to get the Norwegian Blue up and flying again.

QUESTION: Minister, you talk about the strength of the services sector but - or the good future it has, but [indistinct] survey shows a further deterioration for the eighth time this year. How do you reconcile those figures?

EMERSON: Well I think in part - in part from what I was saying about the exchange rate, the exchange rate has appreciated. I think it's about 97 cents, in that order, high 90s. That is a challenge for the non-mining sectors of the Australian economy.

And we will need to ensure therefore that for the service economy and for manufacturing, that is the sectors that are not part - directly part or even indirectly part of the mining boom that their competitiveness is as good as possible.

And that's why we've been pursuing this great endeavour of the seamless national economy. And it was wonderful to see Penny Wong as the Minister for Finance and Deregulation and

Nick Sherry as the Minister Assisting on Deregulation recommitting the Government to completing that task of deregulation in 27 areas of business regulation, further competition policy reforms; all of these are designed to restart productivity growth and if you've got productivity growth in the service economy, you've got a more competitive service economy. And that's where we come back to the Australian Services Roundtable. Even the 0.1 percentage point increase in service economy productivity is well worth having.

QUESTION: Minister, what about an exchange rate? Is there a risk that we might see a stronger push from service sectors in the economy for indirect protectionism such as subsidies [indistinct]...?

EMERSON: Oh look I think businesses can speak for themselves. There are always voices within the business community in Australia and overseas who seek some sort of extra assistance.

I think that Mr Abbott has joined with Prime Minister Gillard in confirming that we will not be increasing tariff protection in this country. Now I know your question relates not only to tariffs but to subsidies. Of course businesses under pressure will argue that competition from overseas is affecting their viability. What we need to do is continue Australia's tradition as an open trading nation.

It's through that trade, on both the export and the import side, that has achieved the sorts of gains that were reported in that study by the Centre for International Economics \$3,900 per household. Now that study referred to in my speech quantifies the gains not only from exporting more but also from obtaining imports at lower cost than that which could - those which could be produced domestically.

So trade liberalisation cuts both ways on the export side and the import side. But it's a free country; certainly businesses are entitled to put their two bobs' worth in but we will continue our commitment of Australia as an open trading nation.

QUESTION: [Indistinct]...

EMERSON: Well it's really a step up in our engagement with Europe from - to a formal treaty that is being mooted. I think Brendan Nelson described the current arrangements as being engaged and wouldn't it be better to be married. So I haven't seen the proposed content of a formal treaty. The main reason probably is that it hasn't yet been drafted but this is an idea of stepping up our relationship with Europe beyond that which exists at the moment.

QUESTION: [Indistinct]...

EMERSON: Well I would expect that it would contemplate the whole economic relationship as well as non-economic dimensions of our relationship with Europe.

QUESTION: [Indistinct]...

EMERSON: Well it can always be improved but we do need to respect the international accounting conventions. That is, we need to measure our gross domestic product and the components of our gross domestic product in a way which is statistically consistent with the

way that other countries do that. So I don't think we can just go it alone, but certainly there's always room for better information.

I think we should resist any thought that just more information is good. Let's ensure that if we can generate more information that it is quality information that actually assists in such great tasks as lifting service sector productivity.

We can't in this nation really restart productivity growth that went backwards in multi-factor productivity terms in the last four years of the Coalition without getting service economy productivity growth up, because it contributes three-quarters of non-public sector activity in this country. So the key to getting productivity growth going again has got to be in the service economy, it has to be. And I just think and lament the fact that between 2004 and 2007, Australia's multi-factor productivity growth went backwards. In other words we were less productive in 2007 than we were in 2004. We've got to do better than that.

QUESTION: [Indistinct]...

EMERSON: You would have liked my sentiments about transparency?

QUESTION: Yes indeed. I wondered if it was possible to tell us the role you envisage for the Cairns Group going forward. It seems to me that in recent years it's been dormant, that as a [indistinct] of Australia's effort, even Doha for example, you'd have to be rather disappointed in what's happened?

EMERSON: Well I think what actually has happened is that other groupings and larger groupings have been assembled. The Cairns Group has been meeting but I won't say to you at the highest levels and on a highly sustained basis. We think that further gains are available in agriculture and that of course is the coherence of the Cairns Group. I'm thinking aloud as to whether the Cairns Group would be the right forum for pursuing for example liberalisation of trade and services.

But look I take your point, I think that more can be done amongst the Cairns Group and you know I think Simon Crean has worked tirelessly in all of the forums that have been available but if we can restart the stalled Doha Round then there'll be a big role for groups like the Cairns Group and anyone and everyone who has an interest in trade liberalisation, including that Trans Pacific Partnership in which I have a reason to be fairly optimistic.

QUESTION: Minister as a champion of the free market somewhat, how relieved are you that you didn't have to rely on the support of Bob Katter?

[Laughter]

EMERSON: Bob Katter is a lovely man and he and I play touch footy and he makes me look good out on the touch footy field, which says something about my touch football abilities. But Bob's got a view and it's a view on trade and tariffs that is not shared by the Labor Government nor is it shared by the Abbott-led Coalition.

But again in our parliament, irrespective of the numbers in the parliament, I firmly believe that it is the right of every parliamentarian to put forward a point of view, and sometimes

we'll agree with that point of view, sometimes we won't agree with that point of view. We don't agree with Bob on his call to re-erect tariff barriers in Australia.

QUESTION: Minister on interest rates, if these rates do go up today as expected, they'll still be lower than they were pre-global financial crisis. Obviously when rates go up you see a lot of new stories where people are complaining that they can longer afford their mortgage, are those people just [indistinct] that haven't planned ahead?

EMERSON: We understand very clearly the cost of living pressures that mortgage holders and householders more generally face, but I'm not going to speculate about interest rate changes, I'm sorry about that.

I think we might just pretty much wind it up there and I thank you very much for coming in such numbers. I think it's been a great exchange and I hope that everyone will take the opportunity of reading this report.

And as I mention in one line in that speech, if these sorts of reports were produced in countries around the world such as the Peterson Institute in the United States did for America, then that greater transparency [indistinct] of the gains to the domestic economy from liberalisation would help a lot, because if you're in a tradition of give and take as if when one country liberalises this is a painful and an awful thing to do, then that makes it so much harder. But if the country that is making the offer, actually is doing so because it's in the interests of that country unilaterally to improve the flow of services in that country, then that's a good thing and it makes the negotiations easier. And you can't expect to achieve that without this sort of shining a light through transparency on the benefits to the country itself from doing that liberalisation, and that's why I'm so excited about this report.

It plays that role here in Australia. It's been played in America, as it's played out around the world, I hope that the task of liberalising trade and services will be easier and by bringing a much more fulsome package of liberalisation of trade and services in the Doha Round, that might just be what is needed to break the current impasse and get the real gains from international trade.

Thank you very much.

[Applause]