

TRANSCRIPT:

AI GROUP CHIEF EXECUTIVE, INNES WILLOX, ON SKY NEWS BUSINESS US TARIFFS AND TPP-11 – Friday 9 March 2018

The US has “fired the starting gun on the global trade war”

JOURNALIST: Your thoughts on the outcome of the TPP signing and these tariffs

WILLOX: Well, it's disappointing that the American administration has gone down this path. They're going to do as much damage to themselves as anyone else. There was a study out a day or so ago from the Trade Partnership, a business backed think tank in the US. It said that these moves might create 33,000 jobs in the steel and aluminium industry but would cost 179,000 jobs across the rest of the economy.

That's just one part of the sign of how damaging this move will be just within the American economy. The fact is what the American administration has done is really fired the starting gun on the global trade war. There will be a lot of tit-for-tat from the Europeans and the Chinese. Canada and Mexico have gotten some exemptions by talking to policy officials over the past few days. There's a view that all this is really about is to try and drive the renegotiation of NAFTA so that the president can say 'see how tough I am and I can do this to you if I have to, so come to the table and talk to us about NAFTA.'

This is a deeply disturbing move because of the size and scope of the American economy and the impact it will have globally, and Australia will get picked up in this as collateral damage. Although we are hopeful for exemptions for steel and aluminium we haven't got that yet. There are a couple positive things that he's said that gives us an indication that we should be able to get an exemption. But that's just for products made in Australia, not just made by Australian companies. You've got to be hopeful around steel and aluminium, but you have to be very troubled about the global ramifications here.

JOURNALIST: On the potential of trade wars, it seems the main target is China and the EU. Do you expect both to retaliate in kind or come through with some sort of response in some way?

WILLOX: They'll be able to retaliate to the same degree that the measures by the US have impacted on them. We've already seen the EU point to cranberries and Levi jeans and Harley Davidson motorcycles and the like, and China will find ways to hurt the American economy as well in retaliation. The big problem then is that if the President says that he will re-retaliate against them, and then we'll get into this spiral and that's where Australia will get caught up very quickly, in what would be a ping pong game between the big trading partners as they try to out-do each other.

We are a reasonable sized economy but not a big one, but we're very export reliant. We're among the most export reliant nations in the world. Look at it this way, America produces about 90% of what it needs itself, so we're really dealing with around 10% of the American economy here. Whereas Australia is very much more reliant on the export and import type of economic arrangement, and that's where we could hurt.

JOURNALIST: How worrying is this linking of protectionism with patriotism, and embedding within that, national security. These are some troubling threads that the trump administration seem to be pulling on at the moment.

WILLOX: That's exactly right, and this link has been talked about previously, between patriotism and protectionism. It is a real problem, it's a real issue. The American President was elected on an America first platform and he is following through on that. We shouldn't be surprised, and we certainly haven't been surprised that he's gone down this path. It fits in with the broader economic narrative that he's been giving.

The problem is that if you fuse patriotism with protection in an economy like America, it will then seep out and other economies will take up that message to defend themselves. The issue going forward, that I can see, is that we should get an exemption around tariffs. Some of the remarks he's made have been very positive about us, about the US having a trade surplus with Australia and the like. But it's what happens next in other sectors of the economy where we can't make that link between our own national security and trade. That's really when it's going to be troubling for Australia, and that's why although today's positive about the TPP, what's happened the US is probably going to have a lot of deeper and longer ramifications for the Australian economy.

JOURNALIST: Can we talk about the TPP 11 and just what an interesting time it is, that on the same day that you have the US proponents of free trade and multilateralism signing off on tariffs, you've got these 11 countries going ahead without the US in terms of creating a trade bloc. \$13.7 trillion of economic activity is what Steve Ciobo suggests Australian business will now have access to. Reaction from you to the signing in Santiago?

WILLOX: We think it's really positive, it's a bit different from you're normal FTA arrangement because it involves a whole range of countries, but there are two things that stand out to us. One is that it is very clearly rules based and it will give Australian businesses some clear protections around rules and implementation of the FTA. So it's very positive for trade facilitation. The second point is. You've got to keep in mind that we already have existing arrangements with 8 of these economies. The other point that is really clear and positive is that it allows for the free flow of data, and data is to the modern economy what railways were to the 19th century economy. Free flow of data is really important and that's a really positive thing. That's something that we really like out of this agreement. It's a very positive step. It's probably not going to make a huge amount of difference on some levels, but on other levels in the more intricate part of trade, it will, and that's a very positive step and we support it.

JOURNALIST: No China and the US, but the door is open from what I understand.

WILLOX: Well that's exactly right. The UK is talking about joining in with this, and others may well too, so this may in some way become the new benchmark for broader multilateral trade arrangements overall. It has set the new bar and that's a positive thing. The door is open for the US to come back either now or through another administration. And other countries will look at it too, we think that's a positive. It's refreshing to have that. All I can say is that if you're a glass half full person, the TPP is more positive, if you're a glass half empty person the Trump announcement is more worrying. I just don't think it's coincidental that he's made his announcement today on the same day that the TPP has been signed. That is a very clear message that the American administration is sending.

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