State premier threatens to “disengage” from Australia

By Mike Head
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Western Australian Premier Colin Barnett this week declared that he is preparing a policy of “disengagement” from Australia over looming cuts to the state’s share of national Goods and Services Tax (GST) income.

Exacerbating the conflict is the fact that Barnett’s Liberal-Nationals coalition government faces a haemorrhaging of the former “mining boom” state’s tax and royalty revenues, particularly because of collapsing world iron ore and gas prices.

Confronted by plummetting media poll ratings, Barnett is also seeking to divert, in a divisive “states rights” direction, the mounting social discontent caused by rapidly growing unemployment, wage cutting and cuts to basic social services. Thousands of jobs have been destroyed in mining-related industries over the past two years, sending the state’s official jobless rate soaring to 5.7 percent, just below the national average of 6.3 percent.

In a demagogic reference to the 1773 tax revolt that became the beginning of the American Revolution against British colonial rule, Barnett said Western Australia (WA) faced its “Boston tea party moment” by being forced to give other states greater shares of GST revenues. He even spoke of importing goods to the resources-rich state from Asia rather than eastern Australia.

“If the GST is not resolved, Western Australia’s future is not with the rest of Australia in a financial or economic sense,” he told the *Australian* while in Singapore as part of an eight-day trip to India and other Asian countries, seeking to boost trade and investment talks. “Our future then shifts to Asia even more strongly than it is now.”

There is an obvious element of maneouvre and posturing in Barnett’s threat. It was issued in the lead-up to a Council of Australian Governments meeting between the federal and state and territory leaders in Canberra tomorrow. That meeting is now likely to see clashes between WA and other states over this year’s annual allocation of GST revenues by the nominally independent Commonwealth Grants Commission.

Barnett is demanding at least a 50 percent “floor” in WA’s share of the GST revenue that is raised in the state, overturning the planned allotment for 2015–16 of less than 30 percent. Under agreements struck between the federal and state governments when the GST was introduced 15 years ago, the Grants Commission re-allocates GST revenues on the basis of a formula designed to “equalise” government spending across the country. Because of its high revenues from mining, WA has for some years received less from the GST than the tax generates within the state, with the proceeds redistributed to poorer states.

Whatever his precise intentions, Barnett’s ultimatum points to the devastating impact of the implosion of the resources boom that has sustained Australian capitalism for decades. WA’s government has relied on mining royalties for no less than 20 percent of its budget.

Barnett’s declaration raises the spectre of the fracturing of the country at the hands of rival factions of the corporate elite. Speaking on behalf of elements in the mining-based ruling circles, Barnett is seeking to make a separate Western Australian pitch for Asian markets and investment, based on mining resources that are located far from Australia’s eastern states.

Similar developments have emerged in other parts of the world, such as Scotland, as the international economic crisis has deepened. The globalisation of production and finance over the past three decades has opened up the possibility of better-off regions directly establishing their own lucrative relations with global markets and carving out privileged regional enclaves.

Barnett made his comments after visiting India, where he floated the prospect of boosting iron ore sales and establishing close connections with specific Indian states. He described India as the next “frontier” for mining exports to replace a “maturing” China and Japan.

WA’s highest-profile secession advocate, the state Liberal Party president Norman Moore, urged Barnett to carry out his threat to abstain from federal-state agreements until the GST conflict is resolved. In 2011, Moore, then Barnett’s mines and petroleum minister, said WA should secede and rely on China and the United States for military defence. Barnett has previously rejected Moore’s secessionist views but Moore noticeably praised Barnett for his “disengagement” statement.

Secessionist trends have raised their heads in WA during earlier periods of economic crisis. An unsuccessful state referendum was called in 1933 during the Great Depression. In 1974, amid a world slump, iron ore magnate Lang Hancock, whose fortune was inherited by his daughter Gina Rinehart, launched a Westralian Secession Movement, but it failed in a bid to win a federal Senate seat.

Today, however, the centrifugal pressures are far greater. The capacity to disconnect from the nation-state is feeding separatist tendencies that are intensifying amid the ongoing global economic breakdown. In the immediate aftermath of the 2008 crash, former WA Liberal Premier Richard Court declared that the case for secession was strengthened because WA accounted for 35 percent of Australia’s export income.

At the same time, the tensions between the ruling elites in WA and the rest of Australia have been aggravated by the ongoing fall in world iron ore prices. These have dropped from a 2011 high of nearly $US200 a tonne to less than $US50 a tonne, due to slowing steel production in China and the downturn in China’s major markets in Europe and the US.

These pressures were underscored this week when the Standard & Poor’s credit rating agency warned that WA’s rating could be lowered again, from AA+, having already been cut from AAA in September 2013. The financial firm cited the state’s crashing iron ore revenues and the WA government’s “limited political will to make difficult decisions.”

Barnett’s government has already slashed social spending in response to the 2013 credit downgrade but this is nowhere enough for the money markets, whose demands are backed by the national financial elite and the federal Liberal-National government. Prime Minister Tony Abbott, Treasurer Joe Hockey and other senior ministers are insisting that the WA government must privatise assets such as the electricity grid, gut social services and impose further pro-market deregulation.

Federal and state Labor Party leaders have taken a similar line, with Victorian state Premier Daniel Andrews accusing the Barnett government of “spending like drunken sailors.”

While Barnett has baulked at some of these demands, fearing electoral oblivion, they represent the vicious social agenda that global capitalism insists upon, whether or not WA secedes.

Throughout the “mining boom,” the working class paid a high price for the huge profits gouged out by the mine operators—soaring housing costs, inhuman conditions for “fly in-fly out” mining workers and chronically under-funded health, education and welfare services.

Now, WA separatism is being fomented by sections of the ruling class as a means of dividing the working class along state and regional lines and diverting the hostility of workers to the destruction of jobs, the driving down of wages and conditions and the deepening cuts to social services.