

Ruling New Zealand coalition disintegrates

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New Zealand prime minister Jenny Shipley yesterday effectively ended the ruling coalition partnership with the New Zealand First party by dismissing its leader Winston Peters from his posts of Deputy Prime Minister and Treasurer. Shipley is preparing to form a minority National Party government with the support of the right-wing ACT (Association of Consumers and Taxpayers) party, the United Party MP Peter Dunne, and 'independent' Alamein Kopu as well as any NZ First dissidents.

Sharp tensions have been brewing in the coalition government for months as its popularity continued to fall in opinion polls. But on Wednesday night, Peters led a walkout of NZ First ministers from a meeting of cabinet over a planned sale of the government's 66 percent share holding in the Wellington airport--clearly signalling an end to the alliance.

Both parties set in motion the formal dispute resolution procedure agreed when the coalition was formed after the 1996 elections. Throughout Thursday, however, the leaders engaged in further acrimonious exchanges, leading up to the dismissal of Peters early Friday afternoon. Shipley stated that she intends to talk to other NZ First ministers individually to determine whether or not they would be prepared to continue to serve on her terms.

Shipley is relying on divisions in the NZ First ranks as well as the party's fear that it would be wiped out in any elections to maintain her minority government. The National Party has only 44 MPs in the 120-seat parliament.

Labour Party opposition leader Helen Clark has called for early elections to resolve the political crisis. But her attempt to put a no confidence motion on the floor of parliament on Thursday was blocked by the Nationals. Such a resolution cannot be put again before next February or March.

Both the National Party and members of NZ First

have accused Peters of staging the cabinet walkout as a political stunt. Shipley has pointed out that Peters' signature is on the government document outlining the options for the airport privatisation. Other commentators have noted that Peters was centrally involved in the sell-off of Auckland airport shares.

Peters claimed to oppose the sale as an issue of principle for NZ First, saying that the party opposed the privatisation of 'strategic assets'. But NZ First MP and Associate Treasurer Tuakiki Delamere told a national radio program on Friday that Peters was misleading the nation. According to Delamere, the airport was not one of the strategic assets listed in the initial coalition agreement.

NZ First, formed by Peters after his expulsion from the National Party in 1991, is in tatters. In July, a public brawl between Peters and his deputy Tau Henare resulted in the latter's removal from his party leadership post. Then just a fortnight later Neil Kirton resigned from NZ First to become an 'independent', ending the coalition government's formal parliamentary majority. Now Delamere is publicly canvassing the formation of a breakaway Maori Party including Maori MPs from NZ First and other parties.

Peters based the formation of NZ First on a mixture of New Zealand nationalism, anti-Asian racism and economic protectionist policies, including higher tariffs and controls on foreign ownership. He sought to capitalise on widespread disaffection with the two major parties--Labour and National--which had presided over the opening of the New Zealand economy, the destruction of tens of thousands of jobs, privatisation of virtually all government assets, and the systematic demolition of public health, education and other services.

In the 1996 elections, NZ First won 13 percent of the vote with substantial support from disaffected older voters and Maoris. Since entering into coalition with

the Nationals, Peters as Treasurer has been directly responsible for imposing further attacks on living standards demanded by big business. New Zealand has been hit hard by the deepening economic crisis in Asia and the government has accelerated planned asset sales and imposed a further \$NZ300 million in budget cuts.

As more and more supporters have turned away from NZ First, its rating in the polls has plummeted. The latest puts its support within 'the margin of statistical error'--in other words, too small to register. By breaking up the coalition, Peters is engaged in a desperate attempt to distance himself from the government's policies. Other NZ First MPs are obviously concluding that they must leave the party altogether to retain any credibility.

The coalition breakup triggered an immediate 2 percent fall in NZ shares and the decline of the NZ dollar to just over 50 US cents. Wellington Regional Chamber of Commerce chief executive Claire Johnstone said that an early poll was inevitable and that Peters should take responsibility for a predicted downgrading in the country's credit rating by international credit rating agency Moody's.

Other business leaders have also reacted to the political turmoil by calling for early elections. Retail Merchants Association Doug McLaren said that most of his members would prefer to see National call an election then struggle on as a minority government.

Any early election is likely to favour Labour and the Alliance, the other major opposition party. Prior to the last elections, Labour has slumped in the polls to an all-time low of 16 percent before Clark was inserted as leader, groomed and promoted in the media as an alternative to the then National Party prime minister Jim Bolger.

Having failed to win power in 1996 despite the widespread hostility to the National Party government, both Labour and the Alliance shifted their policies further to the right. The Alliance has watered down its limited proposals to tax richer sections of society to pay for improved health and education services.

As the crisis in the government has deepened, Labour and the Alliance have moved to form their own coalition. Clark was given what was described in the New Zealand press as 'a rapturous welcome' when she addressed the Alliance national conference this week. The Alliance is an amalgam of parties including

NewLabour, formed by breakaway Labour MPs in the late 1980s seeking to capitalise on the widespread opposition among workers to the then Labour government.

Sections of big business are calling for early elections, and implicitly favouring the return of a Labour-Alliance government, precisely because they are confident that these parties would implement their demands for further austerity measures and budget cutbacks.

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