

# Australian PM walks tightrope between rival powers at G20 summit

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Australian Prime Minister Kevin Rudd's visit to Washington and London for the G20 summit has again highlighted Canberra's increasingly precarious foreign policy balancing act—an attempt to reconcile the primacy of Australia's political-military alliance with the US and its critical economic relationship with East Asia, especially China.

Needless to say, the Australian prime minister had little or no impact on the deliberations and final communiqué of the G20. The summit was dominated by intractable divisions between the world's major powers in the face of the sharpest contraction in economic activity since the 1930s depression.

But anyone reliant on the absurd Australian media coverage of the lead up to the G20 could have been excused for believing that Rudd was the driving force behind it. The prime minister's posturing as a would-be saviour of world capitalism found reflection in an unusually busy schedule. In the US ahead of the G20 meeting, Rudd met with President Barack Obama as well as a series of key foreign and economic policy figures, past and present, including Secretary of State Hillary Clinton, **Defence Secretary Robert Gates**, Energy Secretary Steven Chu, Federal Reserve Chairman Ben Bernanke, Treasury Secretary Timothy Geithner, World Bank President Robert Zoellick, former Secretary of State Henry Kissinger, failed Republican presidential candidate John McCain, among others. In London he held a series of bilateral talks with world leaders, as well as “roundtable discussions” with the *Times*, *Financial Times* and the *Economist* editorial boards.

In the end, however, the British made a more sober assessment of the Australian prime minister's significance in world affairs. At the G20's leaders' dinner, the *Australian* noted: “Rudd was seated last night between Ethiopia and Spain—in other words, in Siberia... Had he stood up and yelled, he could have got the host to pass the salt along five table settings, and had he leaned forward to smell his roast Welsh lamb and then craned his head to the left, he could have just made out the star of the night, Barack Obama, eight seats away.” An article in the *Guardian* newspaper had earlier placed Australia among several lesser G20 member-states who were “only along for the free snacks”.

Notwithstanding this sardonic reference to Australia's status as a second-tier imperialist power, Rudd did pursue a definite agenda at the summit. He made considerable efforts to help smooth over the rift between the US and Britain on the one hand—the two countries argued for more stimulus spending measures—and Germany and France, which insisted upon greater regulation of global financial markets, on the other. Rudd argued that both measures were necessary. In the end the G20 concluded by adopting neither course of action, despite the desperate attempts of host Gordon Brown and US President Obama to paper over the sharp divisions. (See “G20 summit: US and Europe paper over divisions”)

Rudd also emphasised the need to better integrate China into the established global political and economic “infrastructure”, specifically by granting it greater voting rights within the International Monetary Fund.

“China will be expected to step up to the plate and put more resources into the fund,” Rudd insisted in an interview on Jim Lehrer's “Newshour” program on March 25. “But China right now, its voting rights within that fund are the equivalent of Belgium and the Netherlands... I think the challenge is this, and for our friends in America to do the same, work with us in integrating China into the institutions of global governance, on the political side, on the security side, also on the economic side, through, for example the G20.”

Rudd, promoting his experience as a diplomat and his Mandarin language skills, has argued that the Australian government could act as a bridge between Beijing and the world. But the perspective of peacefully integrating China into the existing world order is entirely utopian. The historic decline of US capitalism—now being accelerated by the most severe economic contraction in the post-war period—has seen relations between the major powers at their most fraught and explosive since the 1930s. Rising powers like China are advancing their economic and strategic interests, thereby further eroding Washington's global hegemony. The US ruling elite, unable and unwilling to simply stand aside and cede its place as the unchallenged global hegemon, has responded with militarism and war, primarily aimed at maintaining control over critical natural resources in the Middle East and Central Asia, at the direct expense of its rivals.

Rudd's attempt to act as a broker between East and West is further complicated by the unresolved nature of Canberra's own long-standing strategic dilemma.

"We think that the global financial crisis will hasten the relative decline of America and improve China's status," Paul Dibb, former deputy secretary of defence and current member of the Research School of Pacific and Asian Studies, wrote in the *Australian Financial Review* last month. "That simple statement in itself reflects the crucial geopolitical nature of this global financial crisis for Australia... The sheer size and fury of this crisis, and the crucial lack of warning, suggests that it will not be business as usual for Australia in the global geopolitical order. We would be foolish to think so."

The Australian ruling elite fears that at some point it will be called upon to choose between China, Australia's fastest growing trading partner, and the US, Australia's key strategic and military ally, as conflicts between the two escalate. Recent political controversies, including over Chinese state investment in Australia's mining sector and Defence Minister Joel Fitzgibbon's war with his own department, have highlighted the mounting domestic tensions being produced by this dilemma. The Rudd government is deeply sensitive to the charge that it is promoting links with Beijing at the expense of the US alliance. In a revealing episode, the prime minister's aides apparently requested that the BBC not seat him next to the Chinese ambassador to Britain, Fu Ying—whom Rudd has known for more than 10 years—when he appeared on the "Andrew Marr Show". He was reportedly concerned about appearing too close to Chinese officials.

Another feature of Rudd's G20 trip was his ongoing attempt to distance himself from "extreme capitalism". The Labor government—having closely followed the downing of the Icelandic government, eruption of violent clashes between youth and police in Greece, and mass workers' strikes in France—is acutely aware of the potential for similar explosive social and political upheavals in Australia.

Accompanying Rudd in London, Treasurer Wayne Swan responded in understated though nervous terms to the OECD's latest world economic growth estimate for 2009 of negative 2.75 percent. "Certainly it does mean that growth will be slower in Australia than was forecast back in February," he told the ABC's "Lateline" program. "It certainly does mean that unemployment as a consequence will be higher. And I think it certainly does mean as a consequence that the hit to our bottom line in terms of budget revenue will be higher than was forecast in February."

Speaking alongside British Prime Minister Gordon Brown in St. Paul's Cathedral last Tuesday, Rudd declared that the "extreme version of the market, which has become something of an orthodoxy in the last quarter of a century, has become the false god of our age, the golden calf". Brown delivered a similar speech; after fulsomely referring to Rudd as "a leader of great conscience and a visionary for reform", the British PM declared that "this old

world of the old Washington consensus is over ... we must reshape our global economic system so that it reflects and respects the values that we celebrate in everyday life".

The statements of both leaders were marked by gross hypocrisy. For his part, Rudd is the successor of the 1983-1996 Hawke-Keating Labor government, which carried out in Australia essentially the same program as Margaret Thatcher's in Britain and Ronald Reagan's in the US. He came to power in 2007 after attacking former Prime Minister John Howard from the right on economic policy, accusing him of failing to implement the reforms needed to ensure Australian capitalism's "international competitiveness".

The real reason for the prime minister's verbal critique of "economic orthodoxy" is to mount a pre-emptive strike against the discrediting of the profit system before broad layers of the Australian working class. Rudd seeks to defend the existing order by denying that the global economic crisis marks the failure of capitalism, and by arguing that it is simply a case of replacing one, failed, model of capitalism with another, more "humane" one. At the very same time, his Labor government is preparing to place the full burden of the global economic crisis onto the backs of ordinary working people.

Treasurer Wayne Swan has openly floated the need for austerity measures, warning that "there's no doubt there will be tough choices in the budget" and that it was necessary to "outline a path forward for return to surplus over time". This will entail a savage assault on social spending—including health, education, and welfare programs—as part of a wider effort to drive down wages and living conditions to levels not seen for decades.



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