

Australia: Mining giants dictate terms to new prime minister

Patrick O'Connor
29 June 2010

The major transnational mining corporations have delivered a blatant ultimatum to new Labor Prime Minister Julia Gillard—unless their demands are satisfied on the government’s proposed Resource Super Profits Tax (RSPT) in the next few days, the campaign against the tax and against the government will resume and intensify. The threat follows a protracted destabilisation campaign mounted by the miners against former Prime Minister Kevin Rudd, which helped create the conditions for last week’s conspiratorial coup orchestrated by a handful of shadowy Labor Party factional bosses.

Gillard is now beholden to the mining magnates and other powerful sections of the corporate elite that helped install her in office. Media reports emphasised that the mining CEOs would not accept any partial compromise that left important elements of the tax unresolved until after the next federal election. “There is no industry appetite for drawn-out negotiations on the mining super tax proposal,” Minerals Council of Australia chief executive Mitch Hooke told the *Australian*. “In the interests of the industry and the national economy, the mining super tax issue must be resolved quickly and categorically.”

The *Australian* listed the series of demands that the mining industry expected to be met: “Mr Hooke said that to restore confidence and industry certainty, Ms Gillard must craft a ‘definitive resolution’ before the election including addressing industry concerns about the 40 percent rate, the point at which the tax would take effect and the RSPT’s effect in international competitiveness.”

According to the *Australian*, Gillard understood that she had until Friday to resolve the matter.

Acting as a direct conduit for the miners’ demands, Murdoch’s *Australian* explicitly warned Gillard that she was “going to have to do a whole lot more” to satisfy them: “Compliance with the prime minister’s ambition to disarm the mining tax as an election issue will require some sort of public pre-election commitment to remove the retrospectivity of the tax. It will require, too, some certainty that a post-election negotiation on the tax rate will focus on a band of between, say,

25 and 35 percent and that the rate will be commodity specific rather than a one-size-fits-all number. And it will require commitment to a discussion on where in the production cycle the tax is charged and on the capital uplift, which is currently set at the long-term government bond rate and needs to be about twice the 6 percent rate that currently implies.”

The *Australian Financial Review* indicated that the mining companies had set a deadline. “We’ve said up to two weeks,” Association of Mining and Exploration Companies head Simon Bennison declared. “We want resolution to this situation. We want to know what they’re putting on the table and what we’re going to negotiate out of this. We want to get down to specifics. We have got to put numbers to their parameters.” Without a deal, he warned, “the campaign is back on full and we run this to the election.”

Rarely has the class character of the bourgeois parliamentary apparatus—as the smokescreen for the naked dictatorship of capital—been so glaringly exposed. An elected prime minister sought to increase the level of taxes paid by the wealthiest section of business, only to be brought down in an unprecedented inner-party Labor coup, instigated amid a ferocious advertising campaign mounted by the mining companies, costing an estimated \$100 million, and assisted by the corporate media with their highly manipulative opinion polls.

The mining corporations operate in concert on a global scale, generating revenues that dwarf the gross domestic products generated by many nation-states. Three of the leading mining interests behind the anti-Rudd campaign—BHP Billiton, Rio Tinto and Xstrata—have a combined market capitalisation of \$400 billion, larger than the world’s most powerful corporations, PetroChina (\$329 billion) and Exxon Mobil (\$316 billion). The combined market capitalisation of BHP Billiton, Rio Tinto and Xstrata is equivalent to that of Sweden, the 22nd wealthiest country on the International Monetary Fund’s 2009 GDP country ranking (only a few notches behind Australia, which comes in 13th).

These enormously powerful interests act in concert to sabotage any threat to their interests, including, if necessary, destabilising elected national governments.

Last month the *Australian* published an article, “Zambian backflip provides warning against super-profits tax”, which noted that the central African country had introduced various mining tax surcharges in 2008 on the advice of the World Bank and International Monetary Fund. But, the newspaper explained, “Miners in the country, including the Australian-listed Equinox Minerals and Canada’s First Quantum—which bought BHP Billiton’s mothballed Ravensthorpe nickel operation—railed against the move. The pressure, and a drop in exploration, caused the Zambian government to throw out the windfall tax.”

Now a similar operation is underway in Australia. Labor’s factional system provided the direct vehicle for the prosecution of the miners’ interests within the party. While the details of the various incestuous ties between mining company boardrooms, union bosses, and Labor’s factional warlords will no doubt emerge, there is no question that those behind the Gillard coup enjoy close relations with the miners. The Australian Workers Union, which played an important role in the affair, operates in the mining industry and has a long record of close collaboration with the corporate CEOs.

Contrary to Rudd’s rhetoric, the RSPT was never about ensuring that the “Australian people” received a fairer share of the country’s wealth. Rather, the tax was aimed at redistributing income within the ruling elite, with the new revenue stream slated to fund a 2 percent reduction in the corporate tax rate, more public infrastructure investment to boost exports, and an expanded superannuation scheme to assist the financial sector. Rudd nevertheless proved unable to rally any significant section of business behind the proposed tax, in part because of fears that the Australian economy as a whole would be plunged into crisis in the event of a mining “capital strike”.

Having benefited from the coup, Gillard is now intent on satisfying miners’ demands, while at the same time ensuring that these other pro-business measures, previously funded by forecast RSPT revenue of \$12 billion, are also implemented and that she makes good her pledge of delivering a balanced budget by 2013.

Only by cutting government spending on areas including welfare and social infrastructure can such an agenda be achieved. Gillard and those who orchestrated the coup, however, are intent on preventing any public discussion on these issues. That is why increasingly strident calls are being made for an early election—as soon as August.

Gillard yesterday announced a cabinet reshuffle, having made minimal change. Simon Crean, a former union chief and a minister under the Hawke and Keating Labor governments, was moved from trade minister to Gillard’s previous portfolios—education, employment and workplace relations. Stephen Smith is now both foreign and trade minister. Gillard denied Rudd’s reported request to be appointed foreign minister, though declared that after the election she would be “happy” to have him serve in cabinet. She pointedly delayed rewarding the factional heavyweights who organised the coup until after the election.

The purpose of the limited cabinet rearrangement is to focus all the government’s efforts on its first priority—to placate the miners—and then seek to legitimise Gillard’s installation by calling an election. The haste with which a national vote is being prepared reflects serious concerns within government, media and corporate circles over the hostile public response to the political coup against Rudd.

World Socialist Web Site reporters spoke with several people in Gillard’s electorate of Lalor, covering working class suburbs in Melbourne’s outer-west. “Quite a few people were angry about it because Rudd was elected by the people,” Craig Hort, who is unemployed, said. “It is supposed to be up to the will of the people. I can smell a rat... To say it is undemocratic is an understatement. Gillard kept saying repeatedly that she stood for Kevin Rudd all the way. One month ago she said she would not make a good prime minister. She lied her head off. She was trying to convey to the public that she was loyal. Loyal to who?”

Wendy Gillespie said that there should have been an election and she felt what had happened was “a stab in the back” while Rita insisted: “The people had no say in it—why do we bother voting...? I heard it on the radio. I hadn’t heard anything. I thought ‘Why?’ We never voted. That’s what gets me—we’re used. We vote when we’re told to vote.”



To contact the WSWS and the
Socialist Equality Party visit:

wsws.org/contact