

Political instability to continue with installation of new Australian foreign minister

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3 March 2012

A second week of political upheaval in the Australian government culminated on Friday morning with the surprise announcement by Prime Minister Julia Gillard that former New South Wales (NSW) Premier Bob Carr was to be installed into the Senate with the position of foreign minister. Just 24 hours earlier, media commentary had been dominated by Gillard's retraction of an initial offer to Carr, made on Monday, due to opposition from senior Labor ministers.

Carr's entry into federal politics is the outcome of Kevin Rudd's resignation as foreign minister on February 22 and his failed bid for the Labor leadership on Monday. Gillard, who had ousted Rudd as prime minister in a political coup in June 2010, defeated him in the caucus vote by 71 to 31. Rudd retired to the backbench.

One of the major factors underlying the crisis in the Labor Party is the fundamental dilemma confronting the Australian political establishment: rising tensions between the United States—Australia's key military ally—and China—the country's largest trading partner. Rudd was removed at the instigation of a small cabal of Labor factional powerbrokers with close links to the US embassy. He was ousted in the context of the Obama administration's growing dissatisfaction with his calls for the US to accommodate to China's rising influence and his waning commitment to the occupation of Afghanistan.

Under Gillard, Australian foreign policy has been brought into much closer alignment with Washington. Last November, Gillard and Obama announced agreements for US troops to be based in Darwin and greater American naval operations from the country's north and west. Rudd's attempt to win back control of the government reflected continuing nervousness within ruling circles over Australia's close association with the

increasingly confrontational US stance against China.

Gillard claimed in her victory speech on Monday that the conflicts within the Labor Party would now end, and the government would unify around her leadership. Hours later, Senator Mark Arbib, one of the main US embassy "sources" who plotted the removal of Rudd, abruptly resigned from parliament. In doing so, he created a vacant Senate spot to be filled, without an election, by a Labor Party nominee.

Carr was approached by Labor figures the same day to fill the vacancy. He agreed, but only on the condition that he be given the post of foreign minister. In several phone calls that evening with Gillard, an agreement was reached. The offer provoked immediate opposition from Defence Minister Stephen Smith and Regional Minister and former Labor leader Simon Crean, as well as, according to the *Sydney Morning Herald*, unnamed "factional players." On Tuesday morning, Carr, who was preparing to fly to Canberra for a press conference, was rung by Deputy Prime Minister and Treasurer Wayne Swan and told the deal was off.

The revelation that Gillard had been overturned on a key ministerial appointment—a purported prerogative of the prime minister—shattered the carefully crafted aura of unity and strength presented on Monday. The parliamentary question time on Wednesday was dominated by Liberal opposition efforts to trap her into repeating her declaration, initially made to the media outside the parliament, that an *Australian* report of a "cabinet mutiny" was "completely untrue." To be caught lying to parliament is traditionally cause for resignation.

By Thursday, the government was in shambles and Gillard's leadership at risk. The editorial in

Murdoch's *Australian* stated that the "sorry saga will again lead many to question the Prime Minister's authority and judgement." Senior *Australian* columnist Greg Sheridan lambasted Gillard's "failure" to secure Carr and opined that Rudd's defeat "presumably leaves the field open for a third candidate in six months." He concluded: "It's hard to imagine it getting much worse. But you never know."

Australian Financial Review columnist Geoff Kitney declared: "Gillard's fresh start is already looking alarmingly like the old, ugly one." She had "left the impression of weakness and evasiveness."

In response, Gillard and her backers went into damage control. Carr was reoffered the position. He was in Canberra on Friday morning, standing alongside her as she announced the details of her cabinet reshuffle.

Carr's elevation to foreign minister, however, will not end the political instability of the Labor government. It guarantees that controversy over the US-China dilemma in foreign policy will continue in the highest echelons of the government.

Carr, 64, was Labor premier of NSW, Australia's most populous state, from 1995 to 2005. He presided over a right-wing administration characterised by intimate relations with big business and especially Macquarie Bank, a major investment house. Upon leaving state politics, Carr took a highly paid consulting position with Macquarie, while continuing to claim large entitlements from the state. In just the three years 2009-2011, Carr claimed \$1.47 million in expenses from the NSW treasury.

Within the federal government, Carr certainly will back the demands of the banks and major employers for drastic economic restructuring and budget cuts. He might deliver Gillard a firmer factional base inside the Labor Party, owing to his influence in the key NSW branch. On foreign policy, however, he shares the same essential standpoint as Rudd. While both strongly support the US-Australia alliance, they speak for a constituency in the corporate and political establishment that is deeply unsettled over Obama's confrontational approach to China.

Carr told the press conference on Friday that the economic rise of China and India would preoccupy his

work as foreign minister. "A lot of hard policy slog lies in fine tuning Australia's response to that and remembering always the sanctity, as Australians see it, of our treaty relationship with the United States," he said.

This comment provoked a question about the entries on his personal blog last year, in which he had questioned the military agreements announced last November, criticised Barack Obama's "strange speech [in the Australian parliament] attacking China" and called for an "accommodation" between Washington and Beijing. Attempting to downplay those positions yesterday, Carr stated that they were the views of a "private citizen," whereas he would "now speak as someone with responsibilities in the government."

On accepting the post of foreign minister, Carr of course had to declare that he would toe the government line. At the same time, his "private views" will obviously influence his stance inside the cabinet and his conduct of foreign policy. One of the most prominent advocates of a US-China accommodation, strategic analyst Hugh White, told the *Australian* that Carr was a "million miles from an all-the-way-with-the-USA approach."

The conflict in ruling circles over foreign policy arises because there is no resolution to the dilemma of the Australian capitalist class that meets its interests. To undermine its US alliance would be to simultaneously undermine its financial and strategic interests in the region. At the same time, the US alliance threatens its expanding export markets in China, on which the economic viability of Australian capitalism depends.

Philip Stephens of the *Financial Times*, after reviewing US-China tensions over trade and in the South China Sea, commented on March 2: "The risk—and it is a real one—is of miscalculation born of deep mistrust; of a small incident escalating into a larger conflict." The Gillard government's alignment with the US means that Australia would be immediately drawn into such a catastrophe.



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