

Business warns new Australian PM over promises to National Party

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Australia's corporate elite has generally welcomed this week's installation of former merchant banker Malcolm Turnbull as Australian prime minister, looking to him to implement sweeping pro-business measures, including deep social spending cuts, that his predecessor Tony Abbott failed to impose.

Nevertheless, sections of business have expressed early reservations about some of the undertakings that Turnbull made to the rural-based National Party in order to shore up the coalition with his Liberal Party.

Wednesday's *Australian Financial Review* (AFR) began its front-page lead by reporting that Turnbull's new coalition deal with the Nationals "led big business to warn its embrace of the new Liberal leader could sour quickly."

After securing a 54 to 44 vote among the Liberal Party's parliamentary representatives on Monday night to replace Abbott, Turnbull needed to obtain the agreement of the Nationals before he could assure Governor-General Sir Peter Cosgrove that he commanded a parliamentary majority and then be officially sworn in as prime minister.

Reportedly for the first time ever, the resulting Liberal-National Coalition Agreement includes specific promises by a Liberal Party leader. No copy of the formal written agreement has yet been released, but National Party leaders announced that the bargain includes up to \$4 billion worth of expanded family tax benefits for stay at home mothers, National Party control over water policy and tougher competition laws targeted at protecting smaller businesses and farmers from pressure by large companies.

Turnbull was also said to have promised to allocate hundreds of million dollars to rural jobs, infrastructure and education programs, and more funds to overcome mobile phone and TV black spots. He further undertook

to maintain the government's current policies on climate change and a delayed plebiscite on same sex marriage.

The AFR reported: "While business in general was ecstatic at Mr Turnbull's elevation to the leadership and his vow to advocate economic reform, corporate Australia warned it would fight him if he succeeded in having cabinet adopt an 'effects test' that would crack down on the use of market power, mainly by big companies like Wesfarmers and Woolworths."

This "effects test" would give competition regulators increased powers to curb the capacity of the two dominant supermarket chains, Wesfarmers (Coles) and Woolworths, and similar conglomerates to use their near-monopoly position to dictate prices and other terms to their suppliers, particularly farmers and other primary producers.

Such a proposal was brought forward during the final weeks of Abbott's government, but the Business Council of Australia and major companies, such as Telstra, BlueScope Steel and Qantas, joined Wesfarmers and Woolworths in a lobbying campaign to force the government to put aside the idea. Turnbull reportedly opposes the tougher "effects test" proposal, but has now agreed to bring it back before cabinet for reconsideration.

On Tuesday, the same day that Turnbull assumed office, the tensions over the issue within the Liberal-National Coalition were underscored by a vote in the Senate, the upper house of the Australian parliament. Three National Party senators crossed the floor to support a Greens' motion calling for the stronger "effects test."

Reflecting the Greens' own base among business and farm owners, the resolution urged Turnbull's incoming government to "better protect farmers and small

business owners from anti-competitive conduct.” Two junior National Party government ministers abstained on the vote, which was defeated by the combined votes of the Liberal and Labor parties.

The Greens and the Nationals are vying with each other for the electoral support of layers of business operators and agricultural producers who have been increasingly squeezed by the financial and corporate conglomerates over the past three decades. These conflicts are being aggravated by the sharp global downturn and the unravelling of Australian capitalism’s two-decade mining boom.

In moving the resolution, Greens senator Peter Whish-Wilson, himself a former banker, cited the backing of the National Farmers Federation and a host of small business associations, such as the Council of Small Business Australia.

Similar conflicts lie behind the Nationals’ insistence on regaining control over water policy, which they lost under the Howard Liberal-National government a decade ago. In the name of protecting the environment, particularly the river flows in the country’s main Murray-Darling Basin, Howard allocated water policy to the environmental portfolio, which was then held by Turnbull. While large agribusinesses benefitted, reduced water allocations forced many smaller farmers off the land, accelerating a process underway since the 1970s.

This drive has further undermined the social base of the National Party, which currently holds only nine lower house and three Senate seats after winning just 4.2 percent of the vote at the 2013 federal election. Three decades ago, the party held 23 seats and its vote peaked at 11.5 percent.

During much of the twentieth century, the Nationals and their predecessor, the Country Party, held enough seats to require inclusion in every conservative government at the federal level. Assisted by electoral gerrymandering that inflated parliamentary representation from country areas, they attracted rural support by championing national protectionism—high tariffs and subsidies for farm produce—and centralised marketing boards for key exports such as wheat and wool.

That program was shattered by the globalisation of production and the growth of agribusiness transnationals, especially under the deregulation and

open market policies initiated by the Hawke and Keating Labor governments in the 1980s and 1990s. Tens of thousands of family farms were taken over by agricultural corporations and wealthier farmers. The social impact was exacerbated by the withdrawal of basic services from rural and regional towns, including banks, airlines, railways and government utilities, resulting in high levels of unemployment and poverty.

With a declining electoral base, the Nationals barely escaped oblivion in the late 1990s, when the right-wing One Nation party campaigned on a populist and protectionist program, tapping into the broad hostility in rural electorates to the bipartisan free market agenda of the Labor and Liberal parties.

During the mining boom, the Nationals were also riven by tensions between party leaders, such as Mark Vaile and John Anderson, who were aligned with the interests of the mining and agribusiness companies, and a “new guard,” personified by current deputy leader Barnaby Joyce, who postured as champions of the party’s traditional base.

These tensions resurfaced last weekend, when ex-Howard government minister Larry Anthony was elected unopposed as president of the National Party. Anthony, the son of a former Nationals leader and deputy prime minister, is a pro-mining lobbyist who recently helped secure government approval for the \$1.2 billion Shenhua Watermark coalmine in the heart of prime farming land in northern New South Wales. Farmers have vowed to halt the mine’s construction and to campaign against the Nationals at the next election.

The potential ruptures between the Liberal and National parties, and within the Nationals, underscore the unstable character of the newly-installed Turnbull government that will only intensify as it proceeds to implement its big business agenda.



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