

OPINION

EDITORIAL

Barnett should have seen this hit coming

The loss of the AAA credit rating is a crushing blow to the Barnett Government's economic credibility but should hardly have come as a surprise, given the long-running debate about the need to tighten public spending in the face of mounting debt.

The Government has talked a lot about belt-tightening but its profligate actions betray a lack of attention to serious reform.

The State Budget last month featured a fiscal action plan to bring expenditure under control. But even with this plan, State debt is projected to rise from \$21 billion this year to \$28 billion by 2016-17 and to an extraordinary \$47 billion in 10 years.

While the Government has stumbled and backflipped on small Budget savings such as axing the solar power feed-in tariff and charging 457 temporary work visa holders to send their children to school, it has ignored the looming crisis in fiscal management.

Colin Barnett has taken great pride in portraying himself as the Premier who builds things and gets things done. That's all very well and, in a sense, very necessary in a State with a fast-growing population and pressing infrastructure and services needs.

But the job of leading the State is about making choices. Mr Barnett hasn't wanted to do that. He's building a new stadium and waterfront development, new hospitals, upgrading highways, extending railways and trying to turn dusty northern towns into vibrant cities to service the resources industry. All worthy projects but there is little sense of the need for hard decisions about priorities.

At the March election, the Premier made lavish promises around public transport to stay in power and was rewarded with a Liberal majority. But this came against a backdrop of warnings about rising debt.

The rating downgrade was not a bolt from the blue — two ratings agencies put WA on a negative credit watch last year.

Yesterday, the warnings became reality. The sobering result is that the cost of credit will rise because WA is seen as a riskier proposition for lenders. Only then did it seem to dawn on the Premier that he had to do something about it. Suddenly, there was talk — however non-specific — of asset sales and delays in infrastructure building.

If the Government was serious about limiting debt, this would have been addressed well before now. As unpopular as asset sales and delays might be, West Australians would appreciate being given an honest picture of the State's finances, not some fanciful scenario that depended on an ever-growing stream of revenue to cover a spending spree.

Mr Barnett has a point when he laments the shortfall of GST receipts returned to WA from Canberra. He should be lobbying furiously new Finance Minister and fellow West Australian Mathias Cormann to do something about the imbalance. But the slide in GST returns has been well-known for years and is not an excuse for the debt and spending mess that the State is in now.

West Australians should be prepared for the possibility of public utilities, ports and perhaps the TAB going on the market. The Government has previously ruled this out but all bets now appear to be off.



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New Cabinet takes on welcome western bias

Key ministers put WA at centre of global focus on Asia and Indian Ocean, writes Rory Medcalf

The announcement of the new Federal Cabinet has delivered something exceptional for WA and its place in the world.

With Julie Bishop as Foreign Affairs Minister and Senator David Johnston as Defence Minister, WA has the potential to be on the map of Australia's international relations as never before.

This coincides with the deepening importance of WA as a hub for the nation's trade and investment links with Asia and the US, as well as its growing security relevance as Washington rebalances its strategic attention to Indo-Pacific Asia.

To be fair, in his roles as foreign and defence minister, Stephen Smith worked assiduously to remind Australians that the Indian Ocean matters as much to their future as does the Pacific. He hosted some significant diplomatic events in Perth, notably the 2011 Commonwealth Heads of Government Meeting and last year's Australia-US Ministerial Consultations or AUSMIN.

Mr Smith also deserves credit for being among the first Australian politicians to recognise the new Indo-Pacific character of Australia's region, being defined by the expansive economic and strategic interests of China, India, the US and other powers across two great oceans.

But we can expect a step-change in the years ahead, and not just because Ms Bishop and Senator Johnston recognise that the west matters profoundly to Australia's global future.

They, too, share an Indo-Pacific outlook, even if they sometimes choose different words, such as Ms Bishop's "Asia-Pacific Indian Ocean".

That is one reason we can expect renewed interest in making better use of Australia's Indian Ocean geography for strategic purposes, such as upgrading the Cocos Islands air facility for the next generation of Australian and US maritime surveillance aircraft.

Some notable diplomatic opportunities also lie ahead. These include Australia's hosting of the Indian Ocean Naval Symposium — a meeting of regional naval chiefs — in Perth early next year. Another is Australia's chairing of one of the most daunting acronyms in multilateral diplomacy, the Indian Ocean Rim Association for Regional Co-operation.

Both of these organisations have underperformed. Now Australia can add value and focus on the practical side of their agendas, for instance in counter-piracy, disaster relief and the sharing of scientific knowledge.

Ms Bishop and Senator Johnston are also reportedly interested in the idea of three-way dialogue and co-operation with two increasingly capable Indian Ocean partners, India and Indonesia.

Defence is becoming an influential part of Australia's wider diplomacy, whether in building ties with emerging powers like China, India and Indonesia, or intensifying them with long-term friends such as Japan, South Korea or the US.

Whatever the hue and cry about the presence of US marines in Darwin, they are much more likely to find themselves in co-operative activities like disaster relief training with China, Indonesia and others than using Australia as a base for warlike operations.

The same logic could apply to possible expanded US naval access arrangements in WA. There is every

prospect of seeing multiple navies joining drills off the west coast in future, with Australian and US ships exercising alongside regional counterparts.

At the same time, the new Government's policy on the US alliance is very clear, and it will continue to be a fundamentally closer security relationship than we have with any other country.

The challenge will be for Australia to ensure it can influence alliance strategy, including through smart and timely counsel, in ways that suit both countries' interests, and to demonstrate that the alliance does not weaken our leverage in Asia — it actually increases it.

In refining their ideas about diplomacy, ministers Bishop and Johnston could take a cue from the sophisticated nature of some of WA's major international economic links.

For example, the Gorgon project — involving vital US investment to supply key Asian energy markets — embodies the very opposite of having to choose between the US and Asia.

There is no reason a similar logic cannot be applied to diplomatic initiatives and some areas of security co-operation. The idea is to enmesh powerful countries, to give them a stake in Australia's prosperity and security.

Ms Bishop's ambitious "new Colombo Plan" could further deepen those bonds through two-way educational and professional ties.

Not only in regard to the fight against people smuggling, but also in more rewarding areas of strategic-level diplomacy, Australia's west and north are now at the forefront of the nation's contact with a changing world.

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