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 students a temporary visa holder fee 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.

Yesterday, the warnings became reality. The sobering result is that the cost of credit — two ratings agencies put WA on a negative credit watch.

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

Foreign Affairs Minister Ms Bishop and Senator 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 role 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 on AUSMIL.

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 WA’s role. The new Government will have to demonstrate the new reality.

The challenge will be for Australia to ensure it can influence alliance strategy, including through smart and timely diplomacy, 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 enhance 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 funding areas of strategic-level diplomacy, Australia’s west and north are now at the forefront of the nation’s contact with a changing world.

Rory Medcalf, a former diplomat, is director of the international security program at the Lowy Institute and a non-resident senior fellow with the Brookings Institution in Washington DC.

New Cabinet takes on welcome western bias

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

Regardless of the rhetoric from some quarters, the Government’s economic and strategic credibility are now at a low ebb. The same logic could apply to diplomatic forays.

The Government has talked a lot about being responsible with its finances, but its profligate actions betray a lack of attention to serious reform.

The broader consequence is that the AAA credit rating has been lost, 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.

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