

**TITLE: Trade threatens to split Coalition**

**AUTHOR: Dr Richard Denniss**

**PUBLICATION: Australian Financial Review**

**PUBLICATION DATE: 22/10/2013**

**LINK:**

[http://www.afr.com/p/opinion/trade\\_threatens\\_to\\_split\\_coalition\\_mMYN42vDfryQZX96WI5MiO](http://www.afr.com/p/opinion/trade_threatens_to_split_coalition_mMYN42vDfryQZX96WI5MiO)

The issues of coal seam gas and free trade are combining to create a perfect storm for the National Party, and in turn, the Coalition government. Tony Abbott obviously saw the clouds on the horizon before the election and responded by declaring that a Liberal would hold the Trade portfolio for the first time since Menzies was prime minister.

But while keeping the Nationals at arm's length from trade negotiations might have been easy, holding their votes in the Senate could be much harder.

The issue of whether farmers should be allowed to "lock the gate" to keep the coal seam gas companies off their land has forged an historic, and politically powerful, alliance between farmers, local environmentalists and those campaigning to prevent global climate change.

In the lead-up to the federal election -Ian Macfarlane, now Minister for Resources, expressed his misgivings about CSG to a group of farmers on the Darling Downs. But Macfarlane seems to have no problem saying one thing in the bush and another thing in the city – he now believes that we should extract "every molecule" of gas.

Unfortunately for Abbott, the problems with CSG run a lot deeper than ministers who say one thing before elections and something else afterwards, especially when you consider the Coalition's trade policy.

While the National Party has always held an eclectic set of views on so-called free trade, it is also big on Australian "sovereignty". In particular, they don't like foreign nationals buying up farm land or telling us how to run our country.

That's why Tony Abbott took the trade portfolio off them. Both the Free Trade Agreement with China and the Trans-Pacific Partnership between Australia, the US, Japan and nine other countries shine a spotlight on the internal contradictions in the National Party and the Coalition more generally.

## THE RIGHT TO SUE

The United States is again trying to include an investor state dispute settlement clause in the TPP. If it succeeds, it would allow foreign companies to sue the Australian government for damages if laws are changed in ways that harm the profitability of their investment.

While this potentially affects a swag of policy areas, it brings to the forefront the issue of CSG regulation. The investor state dispute settlement clause would allow foreign gas companies to sue Australian state and federal governments if future CSG regulations affect their profits – it's already happening overseas.

Take the Canadian province of Quebec which is currently being sued for \$250 million by Lone Pine Resources for introducing a moratorium on fracking under the Saint Lawrence Seaway. The Canadian government is worried that using high pressure chemicals to break the rocks under a river might be dangerous for the environment. The foreign investors are more worried about their profits.

The Nationals managed to turn 4 per cent of the vote into nine Lower House seats and the deputy prime ministership. This electoral achievement is a result of the fact that the Nats' voters are geographically concentrated and put their local interests first at the ballot box. The National's parliamentary achievements, on the other hand, come from the willingness of their parliamentarians to support the Liberal Party on most issues in exchange for support on farming issues.

The problem for Tony Abbott and Warren Truss is that CSG forces the Coalition partners to decide whether they are on the side of farmers or the mining industry. And the issue of foreign investment forces them to choose whether they are on the side of free trade or Australian sovereignty.

Both issues could end up splitting the Coalition, and if they don't, they will likely deliver more National Party seats to the Palmer United Party, Katter's Australian Party or independents willing to put their constituents' interests first.

*Dr Richard Denniss is the Executive Director of The Australia Institute, a Canberra based think tank. [www.tai.org.au](http://www.tai.org.au)*