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Australia's Labor Party: Implications of an Election Victory



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An Intelligence Assessment

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February 1983

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Australia's Labor Party: Implications of an Election Victory

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An Intelligence Assessment

This paper has been prepared by [redacted]
Office of East Asian Analysis. Comments and queries
are welcome and may be addressed to the Chief,
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This paper has been coordinated with the
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Intelligence Council. [redacted]

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**Australia's Labor Party:
Implications of an
Election Victory** [Redacted]

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Key Judgments

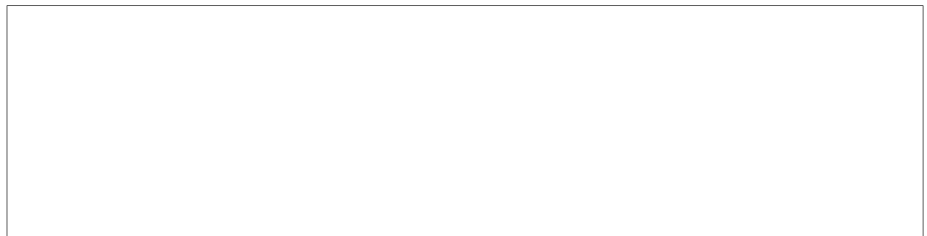
*Information available
as of 8 February 1983
was used in this report.*

We believe that if Labor wins the national elections scheduled for 5 March, a government headed by Bob Hawke would not result in a major realignment of bilateral cooperation in security and defense. The Labor Party has adopted a moderate platform on these issues, which includes support for the ANZUS treaty and the US-Australian alliance. Bilateral security relations would suffer only if the still radical left wing were able to increase its influence over the leadership—a remote possibility given Hawke's potential as a strong leader of the party and his moderate views. Concern that a Labor government under Hawke would be a repeat of the 1972-75 Gough Whitlam government is, we believe, unfounded.

Nevertheless, in our judgment a Labor government could create some nettlesome problems, particularly if Hawke felt he had to closely follow the party's policy. According to this policy, Labor wants:

- The United States to break precedent and inform Canberra of the presence of nuclear weapons on US aircraft operating through Australia.
- To obtain veto power over any first-strike order sent by the United States through the North West Cape naval communications facility.

In addition, Australia's policy on foreign investment would probably become more nationalistic under a Labor government, causing problems for foreign firms seeking to invest in resource development.



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Australia's Labor Party: Implications of an Election Victory [Redacted]

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The Current Picture

Prime Minister Malcolm Fraser, whose Liberal-National Party coalition lags behind the Australian Labor Party (ALP) in public opinion polls by a small margin, surprised political observers on 3 February with his call for early general elections, now set for 5 March. Immediately after Fraser's announcement, Labor Party leader Bill Hayden announced he would step down. At a subsequent caucus of the ALP on 8 February, Hayden's party-rival Bob Hawke was elected new party leader. [Redacted]

Although Labor remains threatened by internal disputes and a poor public image, Fraser's considerable political problems have opened the way for a Labor victory according to the Australian press.¹ A public opinion poll conducted in early February showed the ALP would have won if an election were held at that time. In fact, support among the electorate for Labor is now at the same level as it was in 1972 when Gough Whitlam and the Labor Party took control of the national government. [Redacted]

We believe at this point that the election will be extremely close. Although Labor is a minority party, recent polls show Hawke is Australia's most popular politician. As for the Liberals, the Fraser government's competency is being questioned, particularly in economic affairs; Australia has 11 percent annual inflation and a 9- to 10-percent unemployment rate. [Redacted]

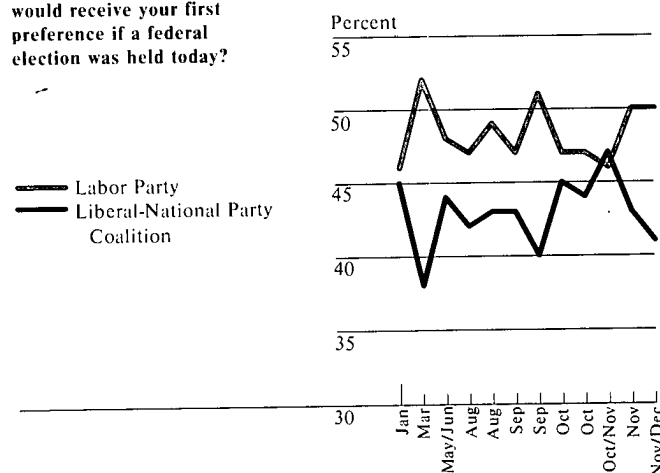
Labor's Emerging New Look

Traditionally the national political party of aggressive and often militant trade union members, Labor has gradually expanded its electoral base over the past 15 years and now represents a wider constituency with [Redacted]

[Redacted]

Figure 1
Morgan Gallup Polls of Australia

Question: Which party would receive your first preference if a federal election was held today?



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more divergent ideological convictions and "bread and butter concerns."² Hawke's election to lead the ALP confirms the party's swing to more moderate politics. A recent reshuffling of the Labor shadow cabinet, highlighted by Paul Keating's promotion to the important Treasury portfolio in January, was another

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² Today's Labor Party has the support of approximately 26 percent of the middle class and 60 percent of the working class, as identified by occupation, according to Australian statisticians. Its working class constituency is primarily urban (two-thirds of the urban working class as opposed to only one-half of the rural working class), and almost totally excludes Australia's farmers and ranchers, who are notably anti-Labor. [Redacted]

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Paul Keating. At 39, Keating has been a member of the Australian Parliament for 14 years. A rightwing leader recognized for his imaginative policymaking and organizational abilities, Keating led his New South Wales Centre Unity faction in support of Hawke's leadership challenge despite criticism from the party's left wing. A formidable debator, Keating is considered a "comer" within the party and is tipped by many as future leader of the ALP. [redacted]



Bob Hawke. The son of a Congregational minister, 52-year-old Hawke is Australia's best known and most popular Labor Party and trade union figure. Having earned LL.B. and B.A. (economics) degrees in Australia, he went on to attend Oxford University under a Rhodes scholarship from 1953-55. Although unsuccessful in last July's leadership bid to replace Hayden, Hawke was elected ALP leader in February 1983, following the resignation of party leader Bill Hayden. [redacted]

attempt by Labor leaders to project a strong, confident, and moderate image in economic affairs, which both Fraser and the ALP are making the principal issue in the campaign. [redacted]

At the same time, leftwing influence is on the wane. With only 20 to 25 members of the 79-member ALP caucus, the left no longer enjoys the influence it had during the Whitlam era. Not one of the leftwing amendments was adopted in its original state at the party convention last July. The left wing, for example, had pressed for an amendment that would have deleted the platform plank supporting the ANZUS alliance. The left does, however, still wield some clout since it has a high media profile and good trade union connections. [redacted]

Hawke at the Helm

Bob Hawke, in our judgment, will be an important man on the Australian political scene irrespective of how Labor fares in the March election. Hawke's high standing in Labor politics and rapid rise to party leadership is an outgrowth of his experience as president of both the Australian Council of Trade Unions (ACTU) from 1969-80 and federal president (titular head) of the Australian Labor Party from 1973-78. During these years he developed the important negotiating skills and political acumen that have brought him the respect and admiration of many Australians. [redacted]

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Leftwing Policy

In recent months the left wing has been particularly unsuccessful in its attempts to sell its policies to the party, and in our judgment, this trend would continue in the event of a Labor government led by Hawke. Not one of the leftwing amendments was adopted in its original state during the party's convention last July. According to the US Embassy, the left argues that the United States is not a reliable ally and that ANZUS offers no real protection to Australia. In place of the alliance, the left wing wants a nonaligned policy, which it believes will eliminate Australia's "subservience to the United States." [redacted]

In economic policy, the left wing opposes the moderates' retreat from the party's previously proposed capital gains tax and the prohibition on uranium mining and development. According to the US Embassy, party leaders are not willing to go along with either proposal because they believe these unpopular stands may have cost them the last national election in 1980. Moderate party members cite the capital gains tax and uranium issue as examples of the left wing's stubborn support of policy regardless of whether it provides the opposition Liberal Party with potent political ammunition. [redacted]

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The left wing also supports an amendment calling for the phasing out of all existing US-shared defense, communications, and tracking facilities and opposing the establishment of any new ones. According to the US Embassy, the left wing maintains joint facilities contribute to the nuclear arms race, make Australia a nuclear target, and commit the nation to what it calls Washington's dangerous nuclear war fighting strategies. [redacted]

Female delegates in the left wing also support the highly controversial effort to abandon the "conscience vote" on abortion, pressing for a policy binding members of Parliament to support liberalization of the abortion law regardless of their personal convictions. This is an extremely volatile issue in Labor politics, according to the US Embassy and the Australian press, who believe that abandonment of the "conscience vote" would cause many members to leave the party. [redacted]

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Hawke's record in Labor politics places him to the right of Bill Hayden, according to political observers in Australia. The Australian press has called Bob Hawke a "corporatist," referring to his reputation as a pragmatic and conciliatory politician. Hawke has often positioned himself in opposition to the party's left wing, a fact credited by the Australian press as the source of the considerable hostility he suffered during last year's national party convention. At that time, the left wing's unanimous support of Hayden cost Hawke his bid for party leadership in a close 42 to 37 vote. [redacted]

The "most popular man" in Australian politics has detractors, however, including many in his own party. According to Australian press reports, many view Hawke as a self-serving glory seeker whose duty to the party is too often clouded by overwhelming personal ambition. For this reason, rumors reported in the Australian press several weeks before Hayden's resignation that Hawke might make another challenge to the Labor leadership before the calling of national elections caused considerable consternation within ALP ranks. Fellow party members denounced such action to the press as opportunistic and unacceptable. Hayden's consistently uninspiring pre-election performance apparently convinced Labor leaders of the necessity for change, however. [redacted]

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Hawke's main political strength rests in his popular appeal to the voters. [redacted]
[redacted] Hawke's popularity stems, in large measure, from the public's perception that he represents national unity, that he is a man of principle, and that he is not overly entrenched in the pro forma antagonisms of Australian politics. [redacted]

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Bill Hayden: A Political Postmortem

Before he stepped down as party leader in early February (and was reappointed shadow Minister for Foreign Affairs), Bill Hayden had been the head of the Labor Party since 1977. Hayden is fundamentally a moderate Labor politician. Although he occasionally adopted an aggressive and leftist tone in public statements, we believe this was primarily a tactic to consolidate support within the party and, more recently, part of the political posturing that typically precedes Australian elections. Hayden, according to the US Embassy, believed Labor would have to present a clear-cut choice to the electorate; Hayden said that to win in 1983 the ALP must offer "a choice, not an echo." [redacted]

Hayden benefited and suffered from his reputation as Labor's competent—if uninspiring—leader. Although effective in parliamentary debate, respected for his policy analysis, and generally credited by domestic political observers with establishing the Labor Party as a moderate alternative to the Liberal-National Party coalition, his lackluster style tended to project uncertainty and attract challenge. According to critics in the ALP, Hayden was the weak link in presenting party policy to the electorate. [redacted]



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What Labor Stands for Today

The ALP platform adopted at the party's 35th National Conference last July provides the backbone for the party's election campaigning. In terms of Labor's past, the platform presents a moderate approach for dealing with Australia's pressing economic and political issues. [redacted]

According to Australian press reports, the party platform strikes an ideological balance that has pleased all but the ALP's most radical leftwing elements. Perhaps most important, the party has unified itself behind the platform, which Labor expects to have broad electoral appeal. As is the case with most party platforms, we would not expect the ALP to achieve all of its goals if elected. Although we expect Hawke to stand behind the platform, we also look for him to

reassess potential troublespots in the platform planks—particularly economic issues—in an effort to present more clearly defined policies to the electorate. [redacted]

Foreign Affairs and Defense Policy

The ALP's key theme on foreign and defense policy is Australia's need to pursue its own national interests through more independent policymaking. ALP members argue that Australia has fallen into the trap of blindly following the US lead and has lost, or risks losing, control over its foreign affairs. This suggests that a Labor government would try to project an image of Australia as a more active and ideologically independent participant in world affairs, a stance that would affect some aspects of the US-Australian alliance. [redacted]

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The ALP: Selected Shadow Ministers

Prime Minister, Industrial Relations	Bob Hawke	Popular former President of ACTU and ALP National Executive.
Foreign Affairs	Bill Hayden	Party leader from 1977 to February 1983 and former shadow Minister for Defense.
Communications	John Button	Senator from Victoria since 1974, an attorney and member of the ALP National Executive since 1977.
Attorney-General	Gareth Evans	Senator from Victoria since 1978, served as shadow Attorney-General since 1980, is an attorney and former professor of law.
Treasury	Paul Keating	Representative from New South Wales since 1969 and leader of the state's conservative Centre-Unity faction.
Economic Development	Ralph Willis	Representative from Victoria since 1972, formerly involved in ACTU labor organization.
Resources and Energy	Peter Walsh	Senator from western Australia since 1974, a former farmer and shadow Minister for Economic Development.
Defense	Gordon Scholes	Representative from Victoria, formerly shadow Minister for Primary Industry.
Finance and Trade	Stewart West	Representative from New South Wales, recent shadow Minister for Environment and Conservation; former dockworker.
Industry and Commerce	John Dawkins	Representative from western Australia, degree in economics, former shadow Minister of Education.
Science and Technology	Barry Jones	Representative from Victoria since 1979.

According to the party platform, Labor would continue its strong support of the ANZUS alliance. The ALP would depart from the Fraser government policy, however, by assuming a more activist role in promoting arms control and disarmament and by advocating a southern hemisphere nuclear-free zone. Like the Fraser government, Labor supports efforts to develop Australia's role as a "middle power" in Southeast Asia. Correspondingly, the platform recommends a rise in the level of foreign aid for less developed nations, pledging an increase in development assistance to 0.5 percent of the GNP by 1985, with an eventual target of 1 percent. It also recommends a greater role for Australia in mediating between Vietnam, the United States, and its neighbors in Southeast Asia.

Economic Policy

Labor's economic plan looks to a "Keynesian prescription" for revitalizing the Australian economy. As an answer to the country's worsening economy, the platform includes the following proposals intended to stimulate economic growth and ease unemployment:

- Ease pressures on interest rates by devaluating the currency by 5 percent and increasing overseas borrowing to maintain adequate foreign exchange reserves.
- Increase spending on infrastructure such as roads and bridges.
- In cooperation with unions, institute an economy-wide wage/price incomes policy.
- Enact tax cuts to supplement "declining family living standards."

- Increase the stock of public housing available for renting through a \$170 million program.

Additional Labor Party proposals include the "Emergency Rescue Operation" and the "Hayden Housing Plan." Both proposals call for increasing government expenditures on salaries and social programs and subsidizing low-interest loans. [redacted]

The platform is more moderate than those in the past on some key positions, including the categoric antiuranium stance and the push for a capital gains tax. The platform now allows for the gradual phasing out of the uranium industry over a number of years. This presumably would permit honoring existing contracts while prohibiting the establishment of uranium enrichment facilities as well as any nuclear power plants. According to the US Embassy, support for this modified stand comes from all key ALP leaders, who are responding to public opinion polls that show popular support for the domestic uranium industry. Hawke, in fact, is cited by the press as one of the principal proponents of uranium mining. [redacted]

Labor's natural resource policy advocates greater government control of the resource sector. According to ALP policy papers, this would result in closer monitoring of multinationals involved in mineral extraction and marketing. We believe that Labor's program for resource development—apart from uranium—is the sharpest departure from the moderate tone of the overall party platform and that, if implemented, would cause major concern among Australia's foreign investors. A recent ALP policy paper lists some of the changes that might result in resource development and marketing following a Labor victory:

- Export controls will be introduced.
- The government will assume responsibility for coordinating export efforts of private companies, including active intervention in negotiating prices.
- Australian interest in ownership and control of all extraction and processing projects, officially set at a minimum 51 percent but rarely enforced, will be strictly enforced.
- Profitable resource ventures will be charged a resource rent tax.
- Greater environmental controls will be enforced.

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Labor also has addressed the future of the economy in its statement on science and technology, delivered by shadow Science and Technology Minister Barry Jones. According to Jones, a future Labor government will focus on revitalizing Australian industry by identifying 16 "sunrise" industries for ALP aid and promotion. According to Jones, the ALP is concerned that the country's industrial base will continue to erode and that workers' skills will decline without a strong policy encouraging development of high-technology industries. The ALP argues that Australia's technological base has remained virtually unchanged since the 1950s, compared with countries such as Japan, Singapore, and Sweden. Although the ALP acknowledges that the promotion of high-technology industries will not generate much employment, it hopes they will improve Australia's ability to compete in export markets and provide a major source of tax revenue. [redacted]

Looking Ahead

Building Bridges at Home . . .

Hawke's immediate challenge is to consolidate his control over the factionalized Labor Party and establish his leadership in the eyes of the Australian electorate, all in the few weeks remaining before the election. He is already off to a good start. According to the Australian press, Hawke has convinced the ACTU to call off a strike against the oil industry; in press statements, ACTU leaders have said they are stopping the strike because Labor's first priority must be to elect Hawke and the ALP. Union leaders recognize that Fraser would use any strike as a campaign issue. [redacted]

In the next few weeks, we expect Hawke probably will step up Labor's efforts to reassure the electorate about the party's moderate position on major issues. Because the domestic economy is a pivotal election issue, Labor has been sensitive to reactions by the business community. Although business remains justifiably anxious about Labor Party factionalism and proposed economic policies, the domestic press reports

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The Whitlam Years and US Concerns

Strained relations between the United States and the Labor Party began to surface in the early 1970s, when Labor was led by Gough Whitlam, Australia's first Labor Prime Minister in over 23 years. During his term of office (1972-75) many analysts feared that Labor's foreign policy might serve some Soviet interests. This, in turn, raised concern that military and strategic data shared with Australia would be routinely compromised. [redacted]

According to one scholar, a major focal point of concern for Americans and conservative Australians was Whitlam's heir apparent and Deputy Prime Minister, James Cairns. Whitlam's political reputation was adversely affected by Cairns and the leftwing proposals he espoused, which seemed purposely intended to counter US interests. Cairns was the most vocal advocate of policies that endorsed the withdrawal of Australian troops from Southeast Asia; the official recognition of Cuba, North Korea, the German Democratic Republic, and the Palestine Liberation Organization; and the revocation of strategic controls on trade with the USSR, China, and East European countries. [redacted]

A spokesman for the left wing further ignited fears about Whitlam, Cairns, and the Labor government when, in 1973, he said confidently, "We are looking forward to the possibility this year that the ALP Federal Conference will jettison the American alliance and other overseas commitments and join the third world." According to Australian press reports at the time, perceptions of Australia changed, both at

home and abroad. In the eyes of many, the Labor Party was out of control, the country was without direction, and Whitlam was faltering at the helm. [redacted]

Domestic and foreign political observers generally agree that Whitlam's time in office ushered in a new era in US-Australian relations, characterized by greater Australian nationalism. However, this caused no irreparable harm to the US-Australian alliance. [redacted]

Despite allegations of possible US involvement in the Labor government's demise in November 1975, most political observers in Australia agree that Whitlam's fall was not so much a result of problems arising from foreign policy but more because of mismanagement and economic troubles at home. During his three years as Prime Minister, Whitlam instituted a wide array of social and economic reforms, but to a large extent it was the government's inability to cope with inflation and unemployment that brought Labor down. Falling commodity prices, 15 percent inflation in 1975, and rising energy costs hurt Whitlam's government. Its economic failures were especially damaging because Labor's victory in 1972 had been achieved in part because of its ability to attract business leaders to the promise of responsible and effective fiscal management. Moreover, the ALP had come to power promising tranquil industrial relations, which turned out not to be the case. [redacted]

an obvious "thawing" of the traditionally cool relationship. Representatives of the business community are quoted in the press as saying that the Liberal Party has lost considerable credibility with its traditional base because of its poor management of the economy. Labor, in turn, has been working hard to create an atmosphere of mutual understanding between the party and the business community. As early as mid-1982, members of the ALP shadow cabinet

began meeting with business leaders in an effort to explain party policy and allay fears about Labor's competency in economic affairs. [redacted]

Hawke's new position as ALP leader should help this effort because, according to the domestic press, he is recognized as a leading advocate of involving business, as well as unions, in government policymaking.

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Press reports indicate that Labor is satisfied with overtures made by business, which included sending a record number of observers to the 1982 National Party conference. According to the press, party members realize that Labor is not the first choice of business leaders, but they are encouraged by the fact the ALP is considered a strong contender, and that business does not rule out a working partnership should Labor win the election. [REDACTED]

. . . And to Washington

Labor has been equally concerned about providing assurances to US Government officials about its policies, especially regarding sensitive bilateral defense issues. We believe that Hawke, while prepared to challenge the United States when necessary, is committed to supporting the United States on many key policies. In the past, he has been quoted as saying that his personal attitude on foreign policy questions is very close to that of the United States.³ For example, he aligns himself with the United States in policy matters concerning Israel and the USSR—stands that have cost him support in the party's left wing. [REDACTED]

According to the US Embassy, Hawke supports the general outline for a Labor government's foreign policy that was presented by Hayden to senior US officials several months ago. Like Hayden, Hawke recognizes the importance of the joint facilities in protecting Australia's national security. According to the Embassy, Hawke is less concerned than Hayden that the North West Cape joint naval communications facility compromises Australia's sovereignty or would involve the country in "hostilities" without its consent. We believe Hawke is also less worried than Hayden about the B-52 agreement, which allows these aircraft to stage through Darwin and also exercise in Australia. [REDACTED]

³ In a television interview on the day he was named Labor Party leader, Hawke reaffirmed his support for the US-Australian alliance saying he is committed to the relationship, feels welcome in the United States, and looks forward to working with Secretary of State Shultz to strengthen the alliance. [REDACTED]

On some matters, a Labor government led by Hawke could prove difficult for US interests, however. He is not likely to challenge the ALP's popular proposal for a southern hemisphere nuclear-free zone and might pursue Hayden's reservations about the United States policy to neither confirm nor to deny the presence of nuclear weapons on US aircraft in Australia. Consequently, Hawke might seek to renegotiate the agreement under which US B-52s stage through Darwin. ALP former shadow Minister for Foreign Affairs Bowen has told US officials that the ALP's nuclear-free policies relate only to the firing and storage of weapons, however, and would not affect the movement of US naval ships in the area. Since becoming party leader, Hawke has acknowledged the ALP platform plank rejecting further Australian participation in the Sinai multinational peacekeeping force. However, he has said he would like to discuss the issue with the Egyptian and Israeli governments and would not precipitately withdraw Australian troops from the force. Hawke has yet to discuss publicly the plank that calls for veto power over any nuclear first-strike order sent by the United States through the North West Cape naval communications facility. On balance, however, we would expect the bilateral relationship to remain essentially intact and relatively cooperative. [REDACTED]

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