

Authority NND 949524 TOR

JUL 31 1961

1961

43.00 / 7-1761

By *KJR* 1-6 95-
95-

REPRODUCED AT THE NATIONAL ARCHIVES

RG 59 Box 1681

FROM : American Embassy, Canberra

25

NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

July 17, 1961

DATE

REF :

S/S-3 SIP-1 G-1

FC-1

35 For Dept. Use Only	ACT I O N	FE-4	DEPT	RM/R	REP	AF	ARA	EUR	FE	NEA	CU	INR	E	P	ICA
	IN F O		OTHER	AGR	COM	FRB	INT	LAB	TAR	TR	XMB				
	REC'D	7-25	AIR	ARMY	CIA	NAVY	OSD	OCB	USIA	7SA					

SUBJECT: Summary of Political Developments, April - June 1961

INTERNATIONAL

The two outstanding international political developments in Australia during the quarter were the visit of Indonesian National Security Minister General Nasution, and the speculation about and preparations for the visit of UK Commonwealth Relations Secretary Duncan Sandys on July 7 to discuss the possible entry of the UK into the European Common Market.

Visit of General Nasution

During his visit from April 18 to April 26, General Nasution received the red carpet treatment and held a series of talks with the Prime Minister and the Cabinet on the obvious question of West New Guinea. In his press statements and TV appearances in Melbourne and Sydney, Nasution stressed that the purpose of his visit was to "dispel Australia's doubts, if any, over the West Irian question," and to induce Australia to take a more neutral position on the issue rather than to continue to favor the claims of the Dutch.

The Prime Minister, in his statement to Parliament on April 27 covering the Nasution talks, reaffirmed the Australian position established in 1958 that: (1) there should be no recourse to armed force to settle the West New Guinea dispute; (2) any negotiations between the Netherlands and Indonesia on West New Guinea should be voluntary and not under the threat of duress; (3) any agreement resulting from such negotiations would be respected by Australia. Leader of the Opposition Arthur Calwell supported the Prime Minister's stand and emphasized in addition that only the New Guinea natives themselves should determine a future government

WFRyan:amm

OFFICIAL USE ONLY

FORM 6-61 FS-439 GPO 912596

For Department Use Only - To be Filled In on Yellow Original ONLY

ACTION ASSIGNED TO	ACTION TAKEN	DATE OF ACTION	DIRECTIONS TO RM/R

743.00/7-1761

LWS

and that Australia should not permit an agreement that would result in Indonesian occupation of West New Guinea.

In short, Nasution was not successful in moving the Australian Government from its established position on the West New Guinea question, and his dissatisfaction with the results of his visit was soon evident in reports to that effect from Djakarta upon his return to Indonesia.

Common Market Speculation

In anticipation of the visit of the UK Commonwealth Relations Secretary Duncan Sandys to discuss the possible entry of the UK into the Common Market, there was intensive press speculation and discussion within the Government on the possible effect on Australia of such a move by the UK. Besides putting in jeopardy from 15 to 20 percent of Australia's present trade, UK entry into the Common Market was viewed as the possible beginning of the end of the Commonwealth because of the political orientation towards Europe that the UK would develop from such an association. The Australian Government was preparing its case very carefully so as to give Mr. Sandys a good going-over on the Common Market question, with the idea of presenting Australia's interests most emphatically.

Laos

The Laos crisis caused considerable concern to the Australian Government during the quarter. In a "Meet the Press" telecast on April 30 the Prime Minister reiterated his deep concern over the situation in Laos, and urged that the SEATO powers "think very hard" about the course of action to be taken in the event that the Royal or Administrative capitals of Laos should fall to the Pathet Lao forces. The Australian Government sent a full-time observer to the Geneva Conference on Laos and has been following the progress of the Conference and the hostilities in Laos very closely. In general, a feeling of pessimism pervades Government circles with regard to the outcome of the Geneva Conference and with respect to the effectiveness of the ICC in controlling any cease-fire in the embattled kingdom.

Menzies Report on his Trip Overseas

In his report to the Parliament on April 15 covering his month-long trip abroad, the Prime Minister gave an extended account of his meetings in Washington with President Kennedy (for whom he had great praise) and Secretary Rusk, the position of SEATO with regard to the Laos situation at that time (he had attended the Ministerial-level SEATO meeting in Bangkok primarily devoted to the Laos question), and a lengthy discussion of the implications

OFFICIAL USE ONLY

of South Africa's withdrawal from the Commonwealth. On the last question, Menzies had been the object of considerable criticism because of his statements in London regarding the withdrawal of South Africa, and the Opposition made a concerted attempt to embarrass him in Parliament by moving a vote of no confidence and insisting that he give up the Foreign Affairs portfolio. As a result of his deft handling of his position on the floor of the Parliament, Menzies seems to have come through the battle unscathed and to have not the slightest intention of relinquishing the Ministry of Foreign Affairs.

Papua-New Guinea

On April 10 the Administrator of the Commonwealth opened the first meeting of the enlarged Legislative Council of Papua-New Guinea. The inauguration of the council was considered a significant step by Australia in the political advancement of the people of Papua-New Guinea.

At the meeting of the UN Trusteeship Council in New York at the end of June, Australia made an offer jointly with the UK and New Zealand of permanent citizenship to the 2500 Nauru Islanders over the next 30 years as the phosphate deposits of the island gradually run out. The offer, even though it was rejected by the Nauruans themselves, was applauded in Australia as evidence of Australia's high sense of responsibility towards dependent peoples and of the absence of racial intolerance with which the White Australia immigration policy is often confused.

Wheat Sale to China

In mid-May the credit sale to Communist China of 750,000 tons of wheat by the Australian Wheat Board was announced. This second major sale of Australian wheat to China has aroused the interest of Australian wheat growers in future sales in that direction, particularly in view of the UK's expected entry into the Common Market. It is notable that the Government of Australia referred back to the Australian Wheat Board the final decision on whether or not the Board should make the sale on credit terms to Communist China on the grounds that it was not a matter for political decision.

New Governor-General

On April 9 it was announced that Lord De L'Isle, a former British Minister of State for Air, had been appointed Governor-General of Australia in succession to Viscount Dunrossil. The announcement was the occasion for renewed criticism by Leader of the Opposition Calwell on the selection of an Englishman instead of an Australian for the post. De L'Isle is now on his way to Australia and will be sworn in as Governor-General in Canberra on August 3.

OFFICIAL USE ONLY

Australia Buys U.S. Destroyers

As part of its re-equipment program, the Royal Australian Navy contracted to purchase from the United States two new guided missile destroyers of the Charles F. Adams class, to be delivered in 1965 and 1966.

DOMESTIC

As sporadic campaigning got under way for the expected end-of-year federal elections, the economic situation emerged as the central issue. With the split in the ALP as wide as ever, there seemed little hope for an ALP victory, although observers were watching the July 15 state elections in Victoria for signs as to how the federal elections will go.

Campaigning for Federal Elections Begins Unofficially

The campaign for the federal elections, which are expected to take place at the end of 1961 or early in 1962, began unofficially during the quarter, and the economic situation emerged clearly as the central issue. As a result of the Government's credit squeeze policies instituted last November, the unemployment figures for April rose to nearly 90,000, and in May they hit a post-War high of 102,554 or 2.4 percent of the work force. In its annual White Paper on the state of the economy, the Government contended that its restrictive economic policies had arrested inflationary forces and that the future was very bright, although the country must expect to face economic fluctuations because of the nature of its economy, which is heavily dependent on agricultural exports and needs to import substantially.

In a national radio-TV broadcast on June 8, the Prime Minister sought to explain in very general terms, using a folksy manner, why the "boom" had to be contained by the Government's restrictive economic policies, and to show why the country should have no fears of depression but should resume normal spending with confidence in Australia's rapid future economic expansion. Menzies' talk, following upon the issuance of the White Paper, set the stage for the Government's pre-election campaign to emphasize its high sense of responsibility in meeting inflationary dangers, its success in overcoming them and the solid basis for optimism with regard to Australia's future.

In an "equal time" radio-TV reply to Menzies, Opposition Leader Arthur Calwell cited the record May unemployment figures, severely criticized the Government's handling of the economy, and proceeded to outline the steps his party would take to improve on the Government's performance if elected--

OFFICIAL USE ONLY

selective import controls, tighter controls over the economy in general, and over higher purchase and local and foreign corporations in particular, which would require an amendment to the Federal Constitution.

Members of the Government and the Opposition have already taken to the hustings to explain party policy and arouse the enthusiasm of the electorate in the farther flung districts. For example, Prime Minister Menzies made a tour of Queensland and Tasmania to speak at party rallies, and Commonwealth Treasurer Harold Holt made a trip to Western Australia, accompanied by the Minister for National Development, Senator Spooner. Opposition leaders have campaigned actively in Queensland, where they were very much heartened by the unexpected landslide victory of ALP candidates in the Brisbane City Council elections at the end of April, and especially in the Victorian state election campaign, where they have sought to introduce federal issues, particularly the credit squeeze policy of the Commonwealth Government, into the state elections in an effort to unseat the Liberal and Country Party Government of Premier Henry Bolte. Bolte, conscious of the fact that the introduction of federal issues in his state election campaign could harm his party's prospects of winning a clear majority, has deliberately kept federal ministers out of his state during the campaign.

ALP Developments

The Australian Labor Party (ALP) held its biennial Federal Conference in Canberra in April to hammer out the broad outlines of a policy platform for the federal elections in six to nine months' time. The Conference was essentially a stand-pat affair, largely reaffirming past decisions of the party on various policy questions, including a demand for the recognition of Communist China and support of its right to a place in the UN and the Security Council, as well as withdrawal of Australian troops from Malaya. It recommended the reorganization of SEATO to extend its membership among Southeast Asian countries and to replace its military bases by a cultural, educational, medical, and technical concept. A proposal to abandon the White Australia immigration policy was rejected by the Conference. The Conference avoided the crucial issue of unity tickets, and thus side-stepped a bitter debate between the moderate and militant segments of the party.

The platform which emerged from the Conference in bits and pieces seems relatively moderate and balanced in its domestic program, avoiding the extremes which would completely wreck the ALP's prospects with the electorate, but showing little real imagination in new policies or proposals which might attract independent voters. Very importantly, the Conference did nothing to heal the breach between the ALP and the DLP group. The DLP Senators Cole and McManus promptly condemned the Conference for avoiding the unity ticket issue

OFFICIAL USE ONLY

and claimed that the foreign policy resolution "read like a reprint from the Communist Party policy". They said that the DLP would never support a Labor Government in which Mr. Calwell was Prime Minister in name and Mr. Chamberlain (the left-leaning permanent secretary of the ALP) was Prime Minister in fact--an allusion to the dominant position solidly held by Chamberlain at the Conference and in the party. This statement has been taken to be the final withdrawal of the DLP offer made to the ALP last November to exchange preferences in elections if the ALP would agree to certain changes in its approach to the issue of Communism.

The decision of the Australian Workers' Union in Queensland to reaffiliate with the ALP in that state on July 1 (see Enclosure No. 2) has considerably strengthened the ALP organization in that state. At the close of the quarter, prospects of a reconciliation between the DLP and the ALP seemed extremely remote, as did the prospect of the ALP's ridding itself of its left-leaning leadership in the persons of the federal president J. V. Stout and the permanent secretary, F. E. Chamberlain. Its prospects of coming to power in the federal elections seemed equally remote.

Parliament Rises

The Federal Parliament, House and Senate, rose on May 18 for its winter recess and will not resume until August 15 to consider the presentation of the budget. The closing days of the Parliamentary period were stormy and at times rather rowdy, involving all-night sittings both in the House and the Senate, as the Government forced through legislation which the Opposition fought bitterly. In the bitter debates over the Stevedoring Industry Bill (which grants long-service leave to waterside workers but imposes penalties for unauthorized stoppages) and over the bill to place Commonwealth Serum Laboratories under the control of a five-man commission, the Government had to resort to the "gag" rule to stop the Opposition attacks and to wind up the session which had already extended into an extra week. It seems evident that part of the Government's motivation in hurrying up the end of the sitting was its desire to stop the mounting criticism of its anti-inflationary policies in nation-wide forum of Parliament.

Victorian State Elections

At the end of the quarter political observers were focusing attention on the state elections in Victoria scheduled for July 15. The election is looked on as a pointer to the outcome of the end-of-year federal elections. If the popular Liberal and Country Party government of Premier Bolte should lose a substantial number of seats on the dominant federal issues of the credit squeeze and unemployment, the resentment against the (of late) unpopular Menzies Government should be all the greater. If the Menzies Government were to lose, say,]

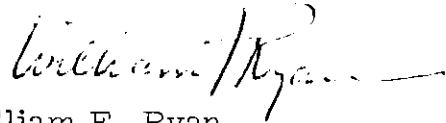
OFFICIAL USE ONLY

6 seats in Victoria at the federal elections, it would almost certainly lose enough seats in other states to be forced out of office. If the Victorian elections go badly for Bolte's Liberal and Country Party Government, the federal Government will almost certainly accelerate its efforts to relieve unemployment and stimulate business activity, including possibly concessions in the August budget, so that the economy will turn up considerably before the elections take place.

Nineteenth National Congress of the Communist Party of Australia

The Nineteenth National Congress of the Communist Party of Australia (CPA) was held on the June 10 weekend in Sydney. The Congress was undistinguished, produced no changes in leadership, based itself very squarely on the Moscow Statement of the 81 Parties. Some sign of a possible shift from its pro-China to a pro-Russia position was evident. The Congress supported the ALP's return to power and favored Indonesia's claim to West New Guinea and played up the plight of Australian aborigines. The party appeared to remain firmly under the control of general secretary L. L. Sharkey, who has held this position since 1948, the party president Richard Dixon, who has been ill in Moscow since the end of 1960, Lawrence Aarons, Sharkey's heir apparent, and Ted Hill, the secretary of the CPA in Victoria. These four comprise the Secretariat.

For the Ambassador:



William F. Ryan
Second Secretary of Embassy

Enclosures:

- 1 - Quarterly Political Report - Adelaide
- 2 - Quarterly Political Report - Brisbane
- 3 - Quarterly Political Report - Melbourne
- 4 - Quarterly Political Report - Perth
- 5 - Quarterly Political Report - Sydney

Copies to:

Adelaide
Brisbane
Melbourne
Perth
Sydney

OFFICIAL USE ONLY