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MDLIAN 1951

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FM CANBERRA
TO ROUTINE FCO
TELNO 276
OF 220830Z APRIL 88

MY TELNO 269 : AUSTRALIAN POLITICAL SITUATION

SUMMARY

1. FOLLOWING RECENT LABOR REVERSES, THE AUSTRALIAN POLITICAL SITUATION IS MORE FLUID THAN FOR SOME TIME. THE OPPOSITION SCENT A NEW OPPORTUNITY BUT THEY HAVE THEIR OWN PROBLEMS AND THE NEXT FEDERAL ELECTION COULD BE MORE THAN TWO YEARS AWAY.

DETAIL

2. IN VIEW OF THE SERIES OF IMPORTANT MINISTERIAL VISITS TO AUSTRALIA LATER THIS YEAR, AND YOUR INTENTION TO REVIEW ANGLO/AUSTRALIAN RELATIONS, I PROPOSE TO SEND AN OCCASIONAL OVERALL ASSESSMENT OF THE AUSTRALIAN POLITICAL SITUATION TO SUPPLEMENT MORE DETAILED REPORTING FROM THIS POST.

3. ALTHOUGH THE NEXT FEDERAL ELECTION DOES NOT HAVE TO BE HELD UNTIL NOVEMBER 1990, THERE IS ALREADY SPECULATION AS TO WHETHER HAWKE WILL WAIT TILL THEN, WHETHER HE WILL WISH TO LEAD THE LABOR PARTY INTO THE NEXT ELECTION AND WHETHER LABOR CAN REPEAT ITS SUCCESS OF THE PAST THREE FEDERAL ELECTIONS.

4. CERTAINLY, LABOR'S FORTUNES HAVE BEEN SET BACK IN RECENT WEEKS. THE MOST SIGNIFICANT REVERSE WAS ITS DEFEAT LAST MONTH IN THE STATE ELECTION IN NEW SOUTH WALES, LABOR'S TRADITIONAL HEARTLAND. THREE OF THE SIX STATES PLUS THE NORTHERN TERRITORY NOW HAVE NON-LABOR GOVERNMENTS. SEVERAL BYE-ELECTIONS IN RECENT WEEKS HAVE SHOWN A SWING AWAY FROM LABOR OF 8 PER CENT OR MORE.

5. THESE UPSETS HAVE PRODUCED A RATHER STRONG REACTION FROM THE LEFT-WING OF THE LABOR PARTY AND SOME ELEMENTS IN THE TRADE UNIONS WHO ARE CRITICISING THE HAWKE LEADERSHIP FOR PARTING COMPANY WITH LABOR'S GRASS-ROOTS SUPPORTERS AND FOR ITS WAGE RESTRAINT POLICIES. (AVERAGE REAL WAGES HAVE FALLEN CONSIDERABLY IN THE LAST FEW YEARS).

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6. HAWKE AND HIS SENIOR MINISTERS ARE NOT YET LOOKING PARTICULARLY DISTURBED BY THESE EVENTS. THEY PROBABLY CALCULATE THAT THEY HAVE PLENTY OF TIME TO RECOVER LOST GROUND BEFORE THE NEXT FEDERAL ELECTION: AND THEY ARE COMFORTED BY THE PERFORMANCE OF THE OPPOSITION.

7. BEFORE THE RECENT LIBERAL PARTY CONFERENCE IN MELBOURNE, THE LIBERAL LEADERSHIP WAS PUBLICLY SPLIT OVER THE ISSUE OF A CONSUMPTION TAX. A VEILED CHALLENGE TO JOHN HOWARD, THE PARTY LEADER BY JOHN ELLIOTT, PARTY PRESIDENT AND LEADING BUSINESSMAN DID NOT HELP MATTERS

THE CONFERENCE PAPERED OVER THE CRACKS BUT THE PAPER MAY PROVE TO BE THIN. THE NATIONAL PARTY (THE LIBERALS' PARTNER IN THE OPPOSITION COALITION) ARE ALSO IN SOME DISARRAY, ESPECIALLY IN QUEENSLAND WHERE THE PREVIOUS PREMIER SIR JOH BJELKE-PETERSEN HAS STARTED TO CHALLENGE THE CURRENT NATIONAL GOVERNMENT.

8. HOWARD TOLD ME ON 21 APRIL THAT THE LABOR REVERSES UNDOUBTEDLY PRESENTED THE OPPOSITION WITH A NEW OPPORTUNITY TO GAIN POWER. BUT IT STILL HAD TO GET ITS OWN HOUSE IN ORDER. HE DID NOT UNDERESTIMATE THE LABOR GOVERNMENT WHO WERE 'A PRETTY COMPETENT BUNCH'. AND THE FEDERAL ELECTIONS WERE A LONG WAY OFF.

9. A NUMBER OF PEOPLE HAVE TOLD ME THAT THEY BELIEVE HAWKE WILL HAND OVER TO A SUCCESSOR (PROBABLY KEATING, THE TREASURER) SOME TIME IN 1989 SO THAT THE LABOR PARTY CAN GO INTO THE ELECTIONS UNDER A NEW LEADERSHIP. THEY ARGUE THAT HAWKE IS TIRING OF POLITICS AND WILL BE CONTENT TO GO ONCE THE BICENTENARY IS OVER. BUT MY VERY EXPERIENCED AND WELL PLACED AMERICAN COLLEAGUE TOLD ME TODAY THAT HE DOES NOT BELIEVE THIS: HE REGARDS HAWKE AS SO WEDDED TO THE LABOR PARTY CAUSE THAT HE WILL STAY IN THE LEADERSHIP, AT LEAST UNTIL THE NEXT ELECTION IS OVER.

10. THE SITUATION IS CLEARLY FLUID. IT IS FAR TOO EARLY TO DRAW CONCLUSIONS FOR THE FUTURE OF THE LABOR GOVERNMENT. BUT THE PROSPECTS FOR THE OPPOSITION HAVE IMPROVED IN RECENT WEEKS.

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