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The 'fourth arm' of Australia's defence: ASIO and the early Cold War

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The Cold War, as experienced by Australia in the late 1940s and the 1950s, saw the involvement of a new entity in Australian defence: the Australian Security Intelligence Organisation (ASIO).¹ Indeed the Australian prime minister, Robert Menzies, described ASIO as the 'fourth arm' of Australian defence, after the Navy, Army and Air Force. This was a remarkable statement about an organisation that only came into existence in 1949, but it indicated a major change to the concept of national security.

By contrast with the Australian armed forces that fought overseas in the South African War, the two world wars, the Korean War, the Malayan Emergency, Confrontation and the Vietnam War, in the Cold War ASIO fought its war at home against espionage, subversion and sabotage, and for the first time this theatre of conflict was seen as almost as important as those overseas. It is true that Australia had internal security concerns in the two world wars, but none of the security organisations in those conflicts saw themselves as involved in their own war in the way ASIO did in the early 1950s. It might seem extreme to describe ASIO as fighting a war,

¹ This chapter is based on the author's book *The spy catchers: The official history of ASIO*, vol. 1, 1949–1963 (Sydney: Allen & Unwin, 2014). The author had privileged access to ASIO records, and where these are still held by ASIO they are identified simply as ASIO records. Further references to the events described in this chapter can be found in the book.

and certainly the 'war' did not involve weapons or physical casualties. But ASIO officers certainly felt they were in a conflict in which the security of Australia was at stake. This chapter seeks to explain why ASIO was formed, what role it played in the early Cold War, why its activities formed part of the Cold War, and whether it was effective in achieving its aims. But first we need a little background.

Internal security before the Cold War

From the beginning of the First World War, internal security formed a component of Australian defence. The initial concern was the threat of espionage and sabotage, particularly by enemy nationals living in Australia. As a result, foreign nationals, mainly Germans, were rounded up and placed in internment camps. Responsibility for dealing with espionage fell to the Army's Directorate of Intelligence, generally known as Military Intelligence. Navy Intelligence was focused more narrowly on preventing sabotage and the leakage of information about ship movements. In late 1915, at the request of Britain, Australia established a small civilian counterespionage bureau, later called the Special Intelligence Bureau (SIB).

The security agencies became increasingly involved in countering subversion, or what the historian Frank Cain has called 'political surveillance'.² Concerned about possible subversive organisations such as the Industrial Workers of the World (IWW), which was opposed to the war, in July 1917 the Federal Government made membership of the IWW illegal. As the largest security agency, Military Intelligence took the lead in watching the expanding number of bodies that seemed to have a connection with socialism or bolshevism. Prime Minister WM Hughes ruthlessly used the power of the *War Precautions Act 1914* (Cth) and the efforts of Military Intelligence to stifle any activity that seemed to threaten the war effort. The SIB also kept watch over other allegedly subversive bodies, such as trade unions and returned soldiers' organisations, hence Cain's claim about political surveillance.

In December 1917 the government established another body, the Commonwealth Police, to investigate matters concerning Commonwealth property and facilities, but after the war the Commonwealth Police was

2 See Frank Cain, *The origins of political surveillance* (Sydney: Angus & Robertson, 1983).

abolished and the SIB became the Commonwealth Investigation Branch (CIB), with responsibilities for investigating administrative offences against the Commonwealth, as well as espionage and subversion. The CIB was relatively small, and many counterespionage and countersubversion tasks were taken over by Military Intelligence.

On the outbreak of the Second World War, the requirements of the First World War – internment of aliens, censorship, protection against sabotage, and counterespionage – still remained, and again foreign nationals were rounded up and placed in internment camps. The most pressing internal security concern was the activities of the Communist Party of Australia (CPA). In August 1939 the Soviet Union had signed a non-aggression pact with Hitler's Germany, and the CPA told Australian communists to keep out of the Army and to boycott the export of war materials. On 15 June 1940 the government declared the CPA to be an illegal organisation.

The multiplying threats brought home the need to coordinate the work of the various security agencies. In February 1941 Australia established a small security service, but it was hampered by bureaucratic infighting. In March 1942, three months after the outbreak of war with Japan, the Labor Government established a new expanded security service named the Commonwealth Security Service, although the CIB still remained active.

By this time, General Douglas MacArthur had arrived in Australia to command the Southwest Pacific Area (SWPA). Within the SWPA there was a plethora of intelligence organisations. Each of the Australian and American services had their own security or counterintelligence staffs, responsible for their own internal security. While thousands of personnel were working in a score of different intelligence agencies, the crucial intelligence was provided by the interception and decryption of enemy radio traffic.

In December 1942 the government lifted the ban on the CPA and its membership grew, reaching a peak strength of about 23,000 by late 1944. According to its historian, Alastair Davidson, by 1945 the party controlled 275,000 out of 1.2 million trade unionists, and its supporters might have numbered 480,000, or 40 per cent of Australian trade unionists.³ The CIB continued to issue fortnightly reports on communism, based

3 Alastair Davidson, *The Communist Party of Australia: A short history* (Stanford, California: Hoover Institution Press, 1969), 82–83.

on information provided by its agents.⁴ Undoubtedly internal security was important, but the security services were fragmented. There was little enemy espionage and the internment of aliens reduced the possibility of fifth column activity.

Beginning of the Cold War

At the end of the war it seemed that the need for an internal security organisation had declined considerably. The Commonwealth Security Service was disbanded and its functions were taken over by a small section within the CIB. But it was soon clear that the postwar world posed new challenges to Australian internal security. The first was the threat of espionage.

On 5 September 1945, just three days after the Japanese formally surrendered, thus ending the Second World War, Igor Gouzenko, a 26-year-old cipher clerk in the Soviet embassy in Ottawa, defected to the West. Gouzenko revealed that the Soviets had set up a spy ring in Canada. Indeed, Dr Alan Nunn May, a British scientist working in Canada on atomic research, had passed information about the project to the Soviet Union. Further, Gouzenko revealed that the Soviets had inserted long-term undercover agents known as 'illegals' in Western countries.

At first the Australian Labor Government, led by Ben Chifley, was unconcerned by the Gouzenko revelations; but soon the opposition used them to question the government's handling of security. In response, in February 1947 the government formed a new body, the Commonwealth Investigation Service (CIS) out of the CIB, and provided 20 additional staff. But the government still did not take the threat of espionage seriously enough.

By 1947 Britain and Australia had established the Long Range Weapons Establishment at Salisbury, South Australia, and a rocket range at Woomera. In parliament on 7 March 1947 a Country Party member, Joe Abbott, spoke of the need to ensure 'that there shall be no leakage of information concerning these experiments', and urged the government to ascertain whether there was evidence of a spy ring operating in collaboration with

4 Communist Reports 18 and 19, National Archives of Australia (NAA): A9108, Roll 9, 11392043.

officials of the Soviet embassy. The Attorney-General, HV Evatt, agreed with the necessity to take 'adequate precautions against the leakage of secret information' and said the CIS would be given additional staff.⁵

Already the possibility of leakages of information was causing problems for Australia's relations with Britain and the United States. On 14 January 1947 Norman Makin, the Australian ambassador in Washington, advised that the United States was considering formal arrangements under which information could be released. Four months later a senior British official warned that the United States 'was worried about the possibility of leakage of secret information from Australia'.⁶

The second challenge to internal security came from the renamed Australian Communist Party (ACP). In September 1947, in response to the US-led Marshall Plan to provide large-scale economic aid to the countries of Western Europe, the Soviet Union formed the Communist Information Bureau (Cominform) to coordinate the actions of 10 European communist parties under Soviet direction. Although not a member of Cominform, the ACP chose to follow its direction, and in the first half of 1948 the ACP's Central Committee decided to go on the offensive, believing the time was right to seize control of the Labour movement. The government was coming to realise that it was in a fight with the Communist Party, but it was not yet willing to employ measures that might seem to infringe civil liberties.

Formation of ASIO

The formation of ASIO in March 1949 relates directly to the signals intelligence operation later known as Venona. Under the Venona program, American and British cryptanalysts had decrypted a small number of telegrams of the Soviet intelligence organisation, later known as the KGB, including communications between KGB headquarters in Moscow and the KGB resident in the Soviet embassy in Canberra. These intercepts, which began in 1943 and continued through to 1948, showed that about a dozen Australians, many identified only by cover names, had provided

5 Commonwealth, *Parliamentary Debates*, House of Representatives, 7 March 1947, 484–90.

6 Jacqueline Templeton, 'Australian Intelligence/Security Services', vol. 2, 298, 253. This report forms volume 1 of the *Seventh report of the Royal Commission on Intelligence and Security*, and is found in NAA: A8908, 7A.

information to the Soviet embassy. The Venona program was highly secret, because the Americans and British did not want to alert the Soviets to their success; the Australian Government was unaware of the program.

As the Venona program seemed to reveal the existence of Soviet spies in Australia, and as Australia was being given access to secret information about the joint British–Australian rocket project, the British Government was anxious to alert the Australians to the apparent lapses in their security. Hence, in February 1948 Sir Percy Sillitoe, director general of Britain's security service, MI5, visited Australia to warn Chifley, although he could not reveal the true source of his information. Sillitoe, and Roger Hollis, a senior MI5 officer accompanying him, tried, without success, to persuade Chifley to set up a new security organisation to replace the CIS, which was ineffective and lacked the skills to deal with this new threat.

Meanwhile, the United States cut off Australia's access to classified information. Realising he needed to do more to persuade Chifley, in June Sillitoe obtained approval to inform Chifley of the origin of the intelligence about the security breaches. Next month Chifley visited London to discuss economic matters. The British prime minister, Clement Attlee, then told Chifley that the source of information 'was intercepted telegrams from the Soviet Legation in Canberra ... the authenticity of which has been fully verified beyond question'.⁷ Chifley agreed that Hollis, and another MI5 officer, Robert Hemblys-Scales, could visit Australia to assist in the investigation of the leakages.

Hollis and Hemblys-Scales arrived in Australia in late July and began a round of meetings with key ministers and officials, although they could not tell the true source of their intelligence. The problem with the Venona decrypts was that they were often just incomplete telegrams, and the use of cover names meant that many individuals could not be identified. One who could be identified was Ian Milner, a former Department of External Affairs officer, then working for the United Nations in New York. The breakthrough came in August when the Venona decrypts revealed that Francis Bernie, who had worked as a secretary/typist in the office of the Attorney-General, Evatt, between 1944 and 1946, had given information to an ACP member, cover name KLOD, who had then passed it to the Soviet embassy.

7 Final brief for PM for his conversation with Mr Chifley, prepared by Sir Orme Sargent, 6 July 1948, UK National Archives (TNA): KV 4/451.

Persuaded by this evidence, on 20 September 1948 Chifley agreed to set up an Australian security organisation 'similar to MI5'.⁸ But he delayed establishing the new organisation, partly because Evatt was overseas, and also because he wanted to make one final appeal to the Americans to release classified information. When the Americans rebuffed this effort, Chifley knew he had to proceed.

The foundations for the establishment of ASIO were laid at a secret meeting in Canberra on 7 February 1949 attended by Chifley, three key ministers and several officials, including three MI5 officers. They agreed that an Australian security intelligence service should be set up along the lines of MI5, that it should come under the Attorney-General, but the service's director-general should have the right of direct access to the prime minister.⁹

Justice Geoffrey Reed from the Supreme Court of South Australia accepted the appointment as the first head of the security service, which he later named the Australian Security Intelligence Organisation, for one year, while he was on leave from the court. Finally, on 2 March, Chifley informed parliament that 'a great increase in Australian security tasks and responsibilities has made it necessary to re-establish a separate security service' and that Justice Reed had been appointed to 'establish and organise an Australian Security Service'.¹⁰ Reed's charter stated that the security service was part of the Attorney-General's Department, but it was also:

part of the Defence Forces of the Commonwealth, and save as herein expressed has no concern with the enforcement of criminal law. Its task is the defence of the Commonwealth from external and internal dangers arising from attempts at espionage and sabotage, or from actions of persons and organisations, whether directed from within or without the country, which may be judged to be subversive of the security of the Commonwealth.¹¹

8 Shedden, 'Notes of Discussions with Ministers in Canberra on 20th September 1938', 20 September 1948, NAA: A5954, 849/A.

9 Minute, 'Conclusions of meeting held on 8th February 1942 at Canberra', NAA: A5954, 849/A; and letter, Hollis to Sillitoe, 8 February 1949, TNA: KV 4/458. The Hollis letter and Shedden's appointment diary confirm the meeting was held on 7 February.

10 Public Statement Chifley, 2 March 1949, in *Digest of decisions and announcements and important speeches by the Prime Minister, the Right Hon. J. B. Chifley*, No. 142 (24 January 1949 to 6 March 1949).

11 'Prime Minister's memorandum to the Director-General of Security', 16 March 1949, NAA: A7452, A48.

ASIO: The first year

The new security service was formed as the Cold War was increasing in intensity. In January 1949, the Chinese People's Liberation Army captured Beijing and on 1 October the communist leader, Mao Zedong, proclaimed the People's Republic of China. The Berlin blockade continued in Germany until May, when the Soviet Union relented in the face of the successful Allied airlift. But for the West, this was only a tactical victory in what was shaping up to be a long conflict. In August the North Atlantic Treaty Organization (NATO) was established, and the Greek civil war ended, but also that month the Soviet Union successfully tested its first atomic bomb. In Malaya, the Communist Terrorists (as they were known) were stepping up their offensive. Everywhere, it seemed, the communists were on the march.

As the new Director-General of Security, Geoffrey Reed had three important tasks: to build his new organisation; to identify the spies as revealed in the Venona intercepts (known as 'the case'); and to deal with communist subversion. Although important to the story of ASIO, discussion of the first two tasks is beyond the scope of this chapter. In brief, Reed staffed ASIO by drawing on the CIS, state police special branches, and former and serving members of the armed forces. By 1 July 1949, ASIO had 94 officers; by June 1950, 141.¹² ASIO's counterespionage work focused on trying to solve 'the case', and in this respect ASIO had limited success. KLOD was identified as an ACP official, Walter Clayton. Another suspect, cover name TOURIST, was identified as an External Affairs officer, Jim Hill. The ASIO counterespionage effort reached its ultimate success with the defection of the KGB officer, Vladimir Petrov, in April 1954.

With regard to subversion, the Chifley Government was already taking action. In March 1949, at about the time he announced the formation of ASIO, Chifley directed the CIS to investigate whether a statement by the secretary of the ACP, Lance Sharkey, was treasonable or seditious. Sharkey allegedly had said that if Soviet forces entered Australia in pursuit of aggressors, Australian workers would welcome them.¹³ In July 1949, Sharkey was sentenced to three years jail, later reduced to 18 months.

12 Letter, Reed to Menzies, 27 June 1950, NAA: A7452, A48.

13 'Sharkey statement to be examined', *Mercury*, 9 March 1949, 7.

Earlier, in January 1949, Cecil Sharpley, a leading ACP member in Victoria, had defected, and in a series of newspaper articles, and in a Royal Commission set up in Victoria in April, he exposed the ACP's apparent efforts to take over the trade unions.

Then, on 27 June 1949, communist-led unions began a seven-week strike in the Hunter Valley coalfields in NSW. In July the CIS, with police assistance, raided the ACP headquarters in Sydney, and other communist establishments, seizing documents. In a dramatic and unprecedented step, the Chifley Government moved troops into the open-cut coalfields to begin mining and distributing coal, and hence to break the strike.

The coal strike was taken as evidence by the government that the ACP was mounting a campaign against it. For its part, the ACP realised that the formation of ASIO presented it with a new and dangerous opponent. For example, on 11 March 1949, just nine days after Chifley announced the formation of ASIO, the *Guardian*, the communist newspaper in Victoria, branded the new organisation as a 'super-secret gestapo to spy on the Australian worker'. Further declarations followed a similar pattern, emphasising that ASIO was a 'danger' to trade unions, the 'peace' movement, people's 'democratic rights' and 'civil liberties'.¹⁴

As noted earlier, among his duties, Reed was directed to defend the Commonwealth against 'actions of persons and organisations, whether directed from within or without the country, which may be judged to be subversive of the security of the Commonwealth'.¹⁵ He interpreted this to mean that he needed to gain a deep insight into the activities of the ACP, and this task involved developing sources within the ACP or communist-controlled unions.

The election of the Liberal-County Party Coalition, led by Robert Menzies, in December 1949 brought new emphasis to the countersubversion role. The government came to power with a different world view to its predecessor. It was more inclined to see the Cold War as a coordinated communist assault on the West, in which the ACP was playing its part. On 3 January 1950 Reed indoctrinated Menzies into the Venona program and told him about the source of the information on espionage.¹⁶

14 Bruce Campbell, 'History of ASIO', ASIO records, f 60.

15 'Prime Minister's memorandum to the Director-General of Security', 16 March 1948, NAA: A7452, A48.

16 Telegram, Young to Sillitoe, 9 January 1950, TNA: KV 4/452.

Throughout 1949, while in opposition, Menzies had made numerous speeches in which he had argued that the ACP needed to be banned. In one speech he asked rhetorically:

Does anyone believe that if we are forced into war by the Soviet Union there will be no fifth column here and in every other Western democracy? I say that within 48 hours of war we would have an active fifth column of Communists in this country.¹⁷

Now he had concrete evidence that some communists had indeed been conducting espionage in Australia on behalf of the Soviet Union.

While the Australian Government understood the imperative to solve 'the case', its attention was focused more broadly on the problem of communism, and ASIO was to play a major role in the government's campaign. On 9 January 1950, ASIO circulated an 11-page secret report on the ACP, which covered membership, finances, trade union activity, the party's connections with overseas communist organisations, the role of the Australian Peace Council as a communist 'front' organisation, the organisations controlled by the ACP and its preparations for 'illegal work'.¹⁸ Another report on the ACP claimed that:

undercover ... reliable sources indicated that: expenses incurred in fighting the Government's proposed ban on the ACP would be met by the Russian Embassy, [and] Communist union officials will organise continuous sectional strikes.¹⁹

A prime example of communist activity seemed to be a series of 'rolling strikes' on the Brisbane waterfront. On 23 March 1950, the government invoked the *Crimes Act 1941* (Cth), which meant that striking watersiders could be liable for jail for up to 12 months. When the waterside workers voted to take their claims to arbitration, however, the government did not follow through with its threat.

This was just an early shot in the war. In his speech when opening parliament on 22 February, Governor-General Sir William McKell foreshadowed that the government would be introducing legislation to ban the Communist Party. The government would be given the power to imprison 'declared' communists and to remove them from trade union offices and from the

17 Quoted in AW Martin, 'Mr Menzies' anticommunism', *Quadrant* 40, no. 65 (May 1996): 52.

18 Report, 'Australian Communist Party, Bulletin No 1, January 1950', 9 January 1950, National Library of Australia (NLA): MS 4936/20/436/3.

19 Report, 'Australian Communist Party: Review from 15 Jan to 15 Feb 50', ASIO records.

Commonwealth Public Service. ASIO was closely involved in drafting the preamble to the proposed Bill. When Menzies presented the Communist Party Dissolution Bill to the House of Representatives on 27 April he justified the decision, saying that earlier he had:

resisted the idea of a Communist ban, on the ground that, in time of peace, doubts ought to be resolved in favour of free speech ... But events have moved. We are not, except in a technical sense, at peace. The Soviet Union has perfected the technique of the 'cold war', has accompanied it by the organisation of peace demonstrations designed not to promote true peace, but to prevent or impair defence preparations in the democracies ... The real and active Communists in Australia present us with our immediate problem. But our choice is clear. We can attack them frontally, or we can adopt inaction.²⁰

The Melbourne *Argus* put the Bill in stark terms when it stated that Menzies had 'declared ruthless war on Australian Communists'.²¹ Predictably, the trade unions were already mobilising to oppose the Bill, and ASIO was busy trying to keep tabs on the delegations that were arriving in Canberra. The Bill passed the House of Representatives on 23 May, but after it was delayed in the Senate, on 23 June Menzies had it put aside; he would reintroduce it later in the year.

The Cold War intensifies

ASIO's campaign against the communists during the early 1950s must be understood in the context of the Cold War. For ordinary Australian citizens, it was a time of uncertainty and concern. ASIO's officers, however, were not just concerned. They saw themselves as frontline warriors (even if they did not use that term) in a war against a twofold enemy – the Soviet Union and the ACP. Forty-five years later, Michael Thwaites, who had been ASIO's head of counterespionage, was quick to remind people that:

there was a real fear which I don't think people understand today, that we were going to have a world clash ... the Cold War was not an illusion. It had to be won.²²

20 Commonwealth, *Parliamentary Debates*, House of Representatives, 27 April 1950, 1996–97.

21 'Reds "outlawed" in new bill', *The Argus* (Melbourne), 28 April 1950, 1.

22 Transcript, ABC TV program, 'Time Frame, War on Dissent', 27 March 1997, at: www.abc.net.au/time/episodes/ep8a.htm (accessed 5 July 2013, site now discontinued).

While internationally the Soviet Union, supported by its allies, was locked in a bitter contest with the West with actual conflict in areas such as Korea, Malaya and Vietnam, within Australia this threat was embodied in the Soviet embassy, which was seeking access to Australia's secret political, military and scientific information. ASIO therefore had a major counterespionage role. Further, ASIO expected the Soviet Union to seek the assistance of ACP members (as Venona had highlighted), so the government believed that they and the party's sympathisers needed to be kept out of positions where they might have access to secret information. ASIO thus had a role in vetting employees for such jobs.

ASIO's other target was the ACP itself. ASIO and the government believed that the ACP, on behalf of the Soviet Union, was engaged in a long-term campaign to undermine confidence in the Australian democratic system and ultimately to overthrow it. ASIO believed the ACP was pursuing its aims by infiltrating trade unions and by fostering 'front' organisations, which could draw support from idealistic but naïve Australian citizens who might not actually have supported the Soviet Union's aims.

Meanwhile, the government was responding to the Cold War in a direct fashion. In May and June 1950, RAAF aircraft were deployed to Malaya to assist the British in operations against the 'Communist Terrorists'. Soon after the outbreak of the Korean War in June, Australia sent a fighter squadron to South Korea. Early in July the government endorsed a three-year defence program and announced a national service training scheme for part-time service after an initial full-time training period. Then on 26 July the government committed an infantry battalion to the Korean War.

In the midst of these developments, on 17 July 1950 Colonel Charles Spry took over from Geoffrey Reed as Director-General of Security. Confident and capable, Spry, who had been director of Military Intelligence since 1946, was determined to reshape the organisation and to make it a professional security service. He established a proper headquarters in Melbourne, and restructured the organisation so that it could improve its efforts to penetrate the ACP. ASIO's staff continued to grow and by April 1951 numbered 181.²³

23 Notes for DG, 'Statement of ASIO strength, as at 30/4/51', ASIO records. By 1963–64, ASIO staff had grown to 373 personnel. Horner, *The spy catchers*, 401.

Preparing for internment

ASIO was soon responding to the government's demands for information and support on subversion-related matters. The government began organising for a possible global war and it needed to update the *Commonwealth war book*. This book, first prepared before the Second World War, set out the actions to be taken by government departments both in the 'precautionary stage' before the outbreak of war, and during a war itself. The *War book* stipulated that in the precautionary stage the director-general of security was to provide the attorney-general with a list of persons for whom he recommended detention or restriction orders be made. Once war was declared, the director-general was to arrange for the persons to be detained. Similarly, the director-general was to provide lists of aliens (non-Australians or non-British subjects), and on the outbreak of war arrange for their internment.²⁴

On 28 July 1950, just nine days after taking up his appointment, Spry directed that 'in view of the uncertain international situation' the measures were to 'be undertaken immediately'. To avoid any misconception 'the utmost discretion' was to be used and other government departments were to be advised that 'as a normal peacetime planning precaution we are accumulating certain information in case an emergency should arise'. By 14 August the ASIO regional offices were to provide lists of aliens who should be prevented from leaving the Commonwealth or should be interned in the event of war (as had occurred in both world wars), as well as a list of 'British subjects' to be interned. The latter group would include the leaders of the ACP and other communists in key positions.²⁵ One complication was the likelihood that the Communist Party Dissolution Bill would become law in the next sitting of parliament, due to begin on 27 September, and ASIO believed that the ACP was preparing to go underground, as it had done when it was declared illegal in 1940.

When parliament reassembled on 27 September, Menzies reintroduced the Communist Party Dissolution Bill and unexpectedly it was passed by the Labor-dominated Senate on 19 October. Immediately, 10 trade unions announced that they would be challenging the Act in the High Court, and they obtained an interim injunction to restrain the Commonwealth from putting it into operation.

²⁴ *Commonwealth war book* (Melbourne: Department of Defence, 1956).

²⁵ Memo, 'Measures to be taken in preparation for a possible emergency – Commonwealth War Book – policy statement No 1', 28 July 1950, NAA: A6122, 1285.

The High Court challenge prevented some activities, but ASIO remained busy gathering information to apply the provisions of the Act if it was found to be valid. On 23 October, three days after the Act was signed into law, officers of the CIS, assisted by the police and with ASIO officers present, raided ACP headquarters in Sydney, Melbourne, Perth, Hobart and Darwin. According to one account, in Melbourne the security officers seized 'more than half a ton of pamphlets, articles and other documents'.²⁶ On 6 December, Spry directed the regional offices to prepare new lists of aliens from communist countries to be interned. Approximate numbers were nearly 1,000 nationwide. Spry considered that 'the immediate detention of about 750 selected communists would render the party organisation innocuous for a period of time'.²⁷ With regard to non-enemy aliens, Spry directed that:

those with an adverse pro-Communist security record should be listed automatically either for internment or restriction, depending on the degree of their subversive activities.²⁸

In January 1951 Menzies attended the Commonwealth Prime Ministers' Conference in London, where he learned that Attlee had been working to persuade the Americans not to use an atomic bomb in Korea, and that the Western allies were likely to lose if a war developed with China.²⁹ He arrived home in mid-February to be confronted by a serious coal strike. About the same time, the US State Department's special negotiator, John Foster Dulles, arrived in Canberra for discussions with the Minister for External Affairs, Percy Spender, over a draft tripartite treaty between Australia, New Zealand and the United States (ANZUS). To Menzies's surprise and satisfaction, Spender and Dulles initialled the draft treaty that eventually became the ANZUS Treaty and a key element in Australian defence policy for the next 70 years.

As soon as Menzies returned to Canberra in February 1951 he began referring to the widespread belief that global war was inevitable. The government, he said, would, therefore, be aiming to place Australia on a 'semi-war footing'.³⁰ On 7 March he told parliament that the

26 'Swoop on Reds' offices', *Sydney Morning Herald*, 24 October 1950, 1.

27 Memo, Spry to regional offices, 'British Subjects (Natural born and naturalised)', 7 December 1950, ASIO records.

28 Memo, Spry to regional offices, 'Aliens Non-enemy', 7 December 1950, ASIO records.

29 Martin, 'Mr Menzies' anticommunism', 55.

30 'A semi-war footing', *Sydney Morning Herald*, 15 February 1951.

democracies had no more than three years to make defence preparations that alone could avert war. 'It is my solemn belief that we have not a minute more than three years at the best.'³¹

Then on 9 March the High Court ruled the *Communist Party Dissolution Act 1950* (Cth) invalid under the Constitution. A week later Menzies asked the governor-general to approve a double dissolution of both houses of parliament, on the grounds that Labor had stopped a banking bill, and a general election was called for 28 April. The Menzies Government won the election and secured control of the Senate.

The High Court's decision did not reduce ASIO's work. In the four and a half months since parliament had passed the Act, ASIO had prepared 'declarations' to be submitted to the relevant committee concerning key trade union officials and communist-dominated organisations. On 5 April, Spry wrote to his regional directors to thank them for this work and to assure them that it had not been a waste of effort. 'On the contrary', he said, 'the actual declarations will be very useful for research work now being undertaken by this headquarters.' He now urged:

the utmost effort, diligence, and ingenuity in order that we may produce clear legal proof that the ACP as an organisation or its individual members are engaged in activity prejudicial to the safety of the Commonwealth.³²

While ASIO no longer needed to produce lists of communists to be dealt with under the *Communist Party Dissolution Act*, it still needed to keep tabs on the ACP, even though it remained a legal party, because of its potential for subversion.

The referendum

On 5 July 1951, the Federal Government introduced in parliament a bill enabling it to hold a referendum, which, if successful, would give it the power to deal with the communists. In preparation, Spry ordered the regional directors to compile reports on the covert organisations that the ACP was preparing to use in the event of the party being dissolved.

31 'Three years – No more', *Sydney Morning Herald*, 8 March 1951.

32 Memo, Spry to Regional Directors, 5 April 1951, ASIO records.

The regional directors were also to prepare lists of premises to be searched and of trade union officials, public servants and communist 'front' organisations to be 'declared' under the *Communist Party Dissolution Act*.³³

During the referendum campaign ASIO prepared a report on the ACP, in which it assessed the strength of the party at between a minimum of 6,845 and a maximum of 7,696 members, with almost half in NSW. According to ASIO's report, the Central Committee of the ACP did not believe that the situation in Australia allowed for 'the seizure of power in the foreseeable future'. Rather, it hoped to achieve a transitional 'People's Government' to be followed later by 'a Dictatorship of the Proletariat'. ASIO believed that the ACP's strategy was to split the Labor Party and 'collect around itself a coalition of left-wing elements which will fight for "People's Power"'. The ACP hoped to use the referendum campaign to establish a united front with the Labor Party, while at the same time conducting a separate campaign to publicise the work of the ACP itself. ASIO showed this summary to Menzies on 18 August.³⁴

Spry took a keen interest in the conduct and outcome of the referendum campaign and directed his officers to keep a close watch on the ACP. Through its agent contacts and technical intercepts, ASIO was able to gain full coverage of the 16th National Congress of the ACP held in Sydney on 23–26 August 1951. ASIO learned that the party was 'most concerned' that as a result of the government's attack on them its strength had been reduced by 40 per cent. On 31 August, Spry told Menzies about this surveillance operation and suggested he include some of the information in his speeches to disconcert the ACP.³⁵ Clearly Spry did not believe that it was contrary to his charter to assist the government in its political campaign to win the referendum when he linked such assistance to achieving an advantage in his contest with the ACP. But while Spry's charter required him to watch the ACP and thwart any apparent attack on Australian society, it did not authorise him to assist the government in a purely political campaign.

By this time, Ben Chifley had died, and Bert Evatt had succeeded him as Leader of the Opposition. Evatt might have chosen to proceed cautiously, but he launched himself into one of his most vigorous barnstorming

33 Memo, Spry to Regional Directors, 30 August 1951, ASIO records.

34 Report, 'Summary of Current Information on the Australian Communist Party', n.d., but with note that it was shown to the prime minister on 18 August 1951, ASIO records.

35 Letter, Spry to Menzies, 31 August 1951, ASIO records.

campaigns, stumping the country for the 'No' vote, in defiance of public opinion polls that forecast majorities of between 70 and 80 per cent in favour of the proposal. Enough voters were persuaded to change their minds for the referendum to be defeated by a narrow margin on 22 September. Not everyone in ASIO supported the 'Yes' vote. Michael Thwaites recalled that within ASIO there was no 'great dismay among my colleagues at the result' of the 'No' vote. He claimed that he saw it as a 'victory for civil liberties', and that it made his job of watching the CPA easier. If the CPA had gone underground it would have been 'far harder for ASIO to get on with the task of building up accurate, detailed, systematic knowledge of the party'.³⁶

Continuing efforts against the CPA

The 'No' vote did not alter ASIO's legitimate role of keeping watch on the ACP, which had now changed its name back to the Communist Party of Australia (CPA), and ASIO continued preparing lists of enemy aliens and others who would be interned in an emergency. Spry's problem was that while he could prepare lists of people for possible internment, it was the government's prerogative to decide who should be interned. Beginning in February 1951, Spry and his chief legal adviser, Bernard Tuck, had a series of meetings with Solicitor-General Kenneth Bailey and sometimes Attorney-General John Spicer, in which they attempted to refine the internment policy. In July 1951, ASIO estimated that in time of war it would need to consider the internment of about 3,100 persons, including 2,000 enemy aliens, 100 other aliens, and 1,000 British subjects and displaced persons. While ASIO had files on the 1,000 British subjects, it had files on only 300 aliens.³⁷ Discussion continued well into the following year as the policy was slowly developed. As a further complication, the situation in New Guinea was slightly different to that in the rest of Australia. For example, in January 1952 a total of about 270 persons were listed for internment. Of these, more than half were children, and most were described as 'Asiatics', which were mostly Chinese.³⁸

36 Michael Thwaites, *Truth will out: ASIO and the Petrovs* (London: Collins, 1980), 40.

37 Memo, 'Internment Policy, Notes of discussion by Deputy Director-General (A&L) with Director-General on 26th July 1951', ASIO records.

38 Memo, L. Sheedy, RD PNG, to Spry, 19 January 1952, ASIO records.

ASIO maintained the Australia-wide list for the rest of the decade, although it gradually reduced the number of people to be interned. Spry recognised the magnitude of the problem, observing in April 1955 that while members of the CPA were a 'security risk', the most dangerous were those holding office, particularly high office, in the party. The government would also need to detain CPA members in key positions in the Commonwealth and state public services, as well as in private industry, and 'approximately 982' 'British subjects' would need to be detained. There were also 500,000 Australian aliens in Australia and it might be necessary to detain 4,665 of them.³⁹ In January 1957, Spry advised that it had 'recently been decided to adopt a more liberal policy for the internment of aliens and to reduce the number of persons whom ASIO will recommend for internment in an emergency'.⁴⁰

By this time the threat of global war had receded. In January 1953 the Cabinet endorsed the Defence Committee's 'strategic basis' paper, which concluded that while the Soviet Union's ultimate aim was a 'Moscow-controlled communist-dominated world', the development of NATO had forced the Soviet Union 'to direct its main cold war effort towards the Far East and South East Asia'. In addition, the Soviet Union was 'fostering subversive activities throughout the world'. Greater priority had to be given to Southeast Asia, and Defence preparations for a global war should therefore be reviewed, with the peacetime build-up for mobilisation being spread over a longer period.⁴¹ Further, the armistice in Korea in July 1953 allowed the government to reduce its military commitment there and to consider providing forces for service in Malaya.⁴² Despite this easing of the Cold War, ASIO did not let up in its campaign against the CPA, and in the 1960s the Vietnam War would see a vastly increased effort to keep tabs not only on communists, but on anyone actively opposing Australia's involvement in the war.⁴³

39 Memo, 'Detention, restriction and control in wartime of persons whose activities may be prejudicial to the public safety', CCF Spry, 2 April 1955, ASIO records.

40 Memo, Spry to Regional Directors, 22 January 1957, ASIO records.

41 Report, Defence Committee, 'A strategic basis of Australian defence policy', 8 January 1953, in Stephan Fröhling, *A history of Australian strategic policy since 1945* (Canberra: Defence Publishing Service, 2009), 175, 188.

42 Minute by Defence Committee, 13 August 1953, NAA: A5954, 1464/1.

43 See John Blaxland, *The protest years: The official history of ASIO, 1963–1975* (Canberra: Allen & Unwin, 2015).

The challenge of countersubversion

As illustrated by ASIO's activities in the early Cold War, the challenge for a security service charged with countering subversion is to differentiate between attempts to undermine the government and the democratic system, and the legitimate expression of free speech in a democracy. It is in this area where ASIO has come under most criticism. Over the years, critics have levelled numerous charges against ASIO, beginning with the general one of assisting the allegedly 'fascist' Menzies Government to suppress legitimate political dissent. ASIO also has been accused of planning to intern thousands of the government's political opponents, in preparation for which ASIO conducted a 'huge' surveillance operation and put together a 'massive' archive of dossiers on unsuspecting citizens. As we have seen, however, ASIO was acting at the direction of the government.

Nonetheless, not only ACP members, but indeed anyone vaguely connected with it were under suspicion, including trade unionists, members of front organisations, public servants, writers, artists and Labor politicians. It has been claimed that many Australians were persecuted, lost their jobs and generally had their lives 'wrecked' because ASIO had secretly asserted that they were a risk to national security. In pursuing its campaign of surveillance, ASIO officers allegedly acted illegally in tapping phones, conducting electronic bugging operations, opening private mail and breaking into ACP and front organisations' premises. An element of truth can be found in many of these claims, but ASIO would argue that faced by the threat of possible war, it was critical to national security to ensure that communist sympathisers were not employed in areas where they had access to classified information. If there were doubts about a person's reliability, the doubts needed to be resolved in the Commonwealth's favour. Further, the decisions about excluding individuals from Commonwealth employment were made by the heads of the relevant government departments, not ASIO. Unfortunately, a balanced understanding has been hampered by the partisan nature of much of the existing accounts and by ASIO's strong proclivity for secrecy.

Critics have also argued that ASIO exaggerated the ACP's threat to Australian security because the party's influence declined rapidly after the 1949 coal strike. With hindsight, we can question how dangerous the threat of subversion was, considering the decline in the ACP's membership and its small vote in federal elections. But the government knew that in

the first two years of the Second World War, the Communist Party had sought to undermine Australia's war effort. Even after the Nazis attacked the Soviet Union in June 1941, bringing the Soviet Union into the war on the Allied side, Australia's war effort was repeatedly disrupted by striking unionists labelled as 'extremists' or 'Communists' by non-Labour leaders.⁴⁴ The government therefore believed that unless challenged, in the event of a general war the ACP had both the capacity and the inclination to undermine the nation.

The major consequence of the Cold War was that ASIO pursued its campaign against the communists with an almost religious fervour. ASIO, the relevant government ministers and indeed a large part of the Australian population believed that Australia was threatened by a monolithic worldwide communist campaign to undermine Western societies. With this view of the world, it was therefore considered legitimate to try to find out what the ACP and its members were doing. It was also considered legitimate to keep watch on citizens who, while not necessarily members of the ACP, were seen as possibly secret communists or at least communist sympathisers.

The reduction in the intensity of the Cold War after 1953 did not reduce ASIO's work. Counterespionage, countersubversion and the vetting of government employees remained important tasks. During the subsequent years ASIO might not have warranted Menzies' claim that it was the fourth arm of Australian defence. But circumstances change, and the rise of terrorist and cyber threats in the early twenty-first century again placed internal security high in the government's priorities. Perhaps the internal security agencies were once again the fourth arm of Australian defence.

44 Paul Hasluck, *The government and the people, 1939–1941* (Canberra: Australian War Memorial, 1952), 586–90, 600.

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