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THE POLITICS OF AUSTRALIAN FOREIGN AID POLICY
1950-1972

by

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Thesis submitted for the Degree of Doctor of Philosophy
in the Department of International Relations
Research School of Pacific Studies
Australian National University
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This thesis is my own original work

Alan Wilkinson

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This thesis is a historical study of Australian foreign aid policy from 1950 to 1972, a period during which the Liberal-Country Party Coalition was in office. It is a political analysis of the objectives and underlying considerations - political, economic and humanitarian - which were the most important to Australia as a donor nation.

The study draws a basic distinction between foreign aid to independent recipient countries and 'territorial aid' to Australia's colony - Papua New Guinea. It shows how, despite the similarities, territorial aid policy was very different from foreign aid policy; for that reason, it focuses attention on aid which was given to sovereign less-developed countries.

This inquiry shows that the history of foreign aid in Australia has been very much conditioned by diplomatic, strategic and, to a lesser extent, ideological considerations; that economic advantages for Australia were, for the most part, only of secondary importance, and that there was usually an altruistic expression of concern for others which was not altogether rhetorical.

It also shows that the primacy of political considerations was due to the Department of Foreign Affairs, not Treasury or Trade and Industry, controlling the more important bilateral aspects of the aid programme.
I wish to express my thanks to the Australian National University for the generous financial assistance which made this study possible.

I am particularly grateful for the continuing and close personal interest which Dr David Penny and Dr Nancy Viviani have taken in this inquiry. My thanks are also due to those who supervised various stages of my research - Dr Robert O'Neill, Dr Tom Millar, Professor Heinz Arndt and Professor Bruce Miller.

Others in the Department of International Relations and elsewhere in the ANU have been most helpful with their advice, and I much appreciate the friendly assistance given by Hélène Mitchell and the seemingly endless typing willingly undertaken by Isobel Kewley, Jocelyn West, Shirley Steer and Shirley Burdett.

Finally, I owe special thanks to my family - to Ann and the children, Pete, Jenny, Katie and Stuart - for their encouragement and patience when it was most needed.
ABBREVIATIONS

AAUCS Australian-Asian Universities Co-operation Scheme
ACC Australian Council of Churches
ACFOA Australian Council for Overseas Aid
ACMA Associated Chamber of Manufactures of Australia
ACR Australian Catholic Relief
ADB Asian Development Bank
AIAS Australian International Award Scheme
AIMTO Australian and Indonesian Manufacturing and Trading Organisation
ALP Australian Labor Party
AMTEG Australian Metal Trades Export Group
ANGAU Australian New Guinea Administrative Unit
ANZAAS Australian and New Zealand Association for the Advancement of Science
ANZUS Security Treaty between Australia, New Zealand and the United States of America
ASpac Asian and Pacific Council
ASPTAP Australian South Pacific Technical Assistance Programme
AUSCAR forerunner to AUSTCARE
AUSTCARE Australian Care for Refugees
AWD Action for World Development
BE Bonus Export
CAA Community Aid Abroad
CCES Commonwealth Co-operation in Education Scheme
CKD Completely Knocked Down
CPD Commonwealth Parliamentary Debates
CSIRO Commonwealth Scientific and Industrial Research Organisation
DAC Development Assistance Committee
DK Devisa Kredit
ECAFE Economic Commission for Asia and the Far East
EDC Export Development Council
EPIC Export Payments Insurance Corporation
FAC Food Aid Convention
FAO Food and Agricultural Organisation
FEOF Foreign Exchange Operations Fund
FFHC  Freedom from Hunger Campaign
GATT  General Agreement on Tariffs And Trade
GMH  General Motors Holden
GNP  Gross National Product
H of R  House of Representatives, Commonwealth Parliament
IBRD  International Bank for Reconstruction and Development
ICEM  Intergovernmental Committee for European Migration
IDA  International Development Association
IFC  International Finance Corporation
IGA  International Grains Agreement
IGGI  Inter-Governmental Group on Indonesia
IHC  International Harvester Company
ILO  International Labour Organisation
IMF  International Monetary Fund
IRO  International Refugee Organisation
IWA  International Wheat Agreement
LCD  Legislative Council Debates, Territory of Papua and New Guinea
OECD  Organisation for Economic Co-operation and Development
OXFAM  Oxford Committee For Famine Relief
PNG  Papua New Guinea
S  Senate, Commonwealth Parliament
SCAAP  Special Commonwealth African Assistance Plan
SEATO  South-East Asian Treaty Organisation
SPAP  South Pacific Aid Programme
UN  United Nations
UNCIO  United Nations Conference on International Organisation
UNCTAD  United Nations Conference on Trade and Development
UNESCO  United Nations Educational, Scientific and Cultural Organisation
UNICEF  United Nations International Children's Emergency Fund
UNRRA  United Nations Relief and Rehabilitation Administration
UNRWA  United Nations Relief and Works Agency for Palestine Refugees
WHO  World Health Organisation
GLOSSARY

A. Foreign aid -

In the context of this study, foreign aid is 'official development assistance' as defined below. Other forms of official or private aid (as defined in OECD, Australia's International Development Assistance, p.11) have not significantly influenced Australian foreign aid policy during the period studied.

Official development assistance -
All flows of financial resources (grants and loans) to developing countries provided by governments which are administered with, as their main motive, the promotion of the economic development and welfare of recipient countries, and which are intended to be concessional in character.
OECD, Australia's International Development Assistance, p.11.

Grant aid -
Foreign aid not requiring repayment in any form.

Loan aid -
Foreign aid provided on the basis of a loan which is subject to interest payments and amortisation.

Concessionary aid -
Foreign aid provided on terms which involve a concession on normal commercial transactions.

Note A:
All foreign aid (official development assistance) falls into one of the two categories, grants or loans.

B. Bilateral aid -
Foreign aid provided on a government-to-government basis, the arrangements for which are drawn up between the donor and the recipient.

Multilateral aid -
Foreign aid which is channelled through international institutions to which many donors contribute. In this case, the multilateral institution is the body responsible for arranging with recipients the provision of economic assistance.

Note B:
All foreign aid is provided in one of these two ways.
C. Tied aid -
Foreign aid which is tied to the purchase of goods in the donor country.

Note C:
Foreign aid may be tied regardless of whether it is in grant or loan form or whether it is provided through bilateral or multilateral channels.

D. Project aid -
Foreign aid provided for a designated development project.

Programme aid -
In contrast to project aid, foreign aid designed to supplement the recipient country's import programme in order to achieve the targets of some general development plan, and not to fulfil the requirements of particular projects.

Technical assistance -
Foreign aid taking the form of the provision of experts or the training, in Australia, of students and others from recipient countries. The provision of equipment for educational institutions was also sometimes classified as technical assistance.

Note D:
While technical assistance has not always been regarded in Australia as separate from project aid, these three are the basic forms in which Australian foreign aid has been provided.

E. Commodity aid -
A form of programme aid, usually involving the provision of primary industry goods, whether they be raw materials for manufacturing purposes, or food.

Budget support aid -
This term is often used synonymously with programme aid but draws attention to the support which programme aid provides for a recipient country's budget when it is sold in the recipient country for local currency. These local funds can then become part of the recipient government's current receipts.

Counterpart funds -
Local currency funds generated by the sale, in the recipient country, of programme aid.
F. Balance of payments support aid -

Foreign exchange support aid -

These two terms are used interchangeably to describe foreign aid which is specifically intended to assist a country which has only limited foreign exchange reserves. Balance of payments support aid is not an exclusive form of aid; to some degree all aid provides foreign exchange support. Further, in so far as foreign exchange credits are sold for local currency, this form of aid also supports the recipient government's domestic budget.

G. Rehabilitation and relief aid -

Economic aid provided, after World War II in particular, to assist economic recovery from war devastation.

H. Territorial aid -

In this thesis, defined as economic aid provided to a donor's colony or territory.
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A NOTE ON INTERVIEWS

During the research for this thesis, many people associated with Australian foreign aid, both within and outside the bureaucracy, were interviewed. Some agreed to being quoted; the majority, being public servants, preferred the interview material not to be attributed to them by name.

Wherever possible, published evidence has been found and used to corroborate the notes I took during these interviews. However, particularly regarding the handling of foreign aid policy within the bureaucracy, published sources were very limited and, in accordance with Australian archival practice, I was not allowed access to official files. For these reasons, heavy reliance had to be placed on oral evidence.

Recognising the limitations of such evidence, every attempt was made to verify oral information with more than one interviewee, but even this was not always possible.

In order to respect the wishes of public servants that they should not be personally identified with information they provided, I decided to list at the end of the thesis the names of those interviewed together with details of positions held. In the body of the study I have referred only to the department with which the interviewee was associated, either at the time of the interview or during the period relevant to the evidence used.

This somewhat ambiguous form of reference has been chosen in preference to a confidential appendix so that as much information as possible about my sources is available for anyone interested in furthering this inquiry.
A NOTE ON CURRENCIES

Throughout this thesis, the practice adopted is that all amounts are Australian dollars (with £A1 equal to $A2), except where otherwise indicated.
A NOTE ON PAGINATION

An alternative numbering scheme, based on the letters of the alphabet, has been used for the twenty-four pages between pages 8 and 9. That became necessary in order to include further theoretical material after the bulk of the thesis had been paginated numerically.
PART I: INTRODUCTION

INTRODUCTION

Australia has now been assisting the economies of less-developed countries for almost twenty-five years. This study arises from the observation that the objectives of Australian foreign aid policy have not yet been subjected to systematic historical analysis. It is argued here that Australian aid policy has been politically oriented; that Australian foreign aid has been an important foreign policy instrument. It is also part of the argument that, in the formulation of aid policy, the predominant roles have been played by the Executive and the bureaucracy; the influence exercised by the public has been small.

This inquiry concentrates on the period 1950 to 1972, an era of conservative Liberal-Country Party coalition government. The earlier limit to the period under study coincides with the beginning of the Colombo Plan, the major vehicle for Australia's foreign aid.

The thesis is divided into three parts. The first contains a discussion of the interpretative approach adopted and the concepts involved (Chapter One) as well as an examination, principally from secondary sources, of the war-time and post-war antecedents of the policy laid down in 1950 (Chapter Two). In the second part, the objectives of Australian foreign aid policy, as they have been enunciated in official statements, are explored (Chapters Three and Four). The concentration on official statements in this part of the thesis also serves to depict that image of Australia as a foreign aid donor which the Government conveyed to the public.

A study of Australia's declared policy regarding territorial aid to Papua New Guinea is included in Part II (Chapter Five) to draw attention to the similarities
and differences between it and the Government's foreign aid policy. (Territorial aid policy is not examined in Part III because, beyond the level of official statements, it requires consideration within a colonial policy and not a foreign policy framework.)

In Part III of the thesis, the political process within which aid policy has been formulated is explored. Chapters Six and Seven examine the role of the bureaucracy and in Chapter Eight attention is focused on the role of Parliament and the major political parties and Chapter Nine deals with the part played by other elements of domestic opinion when aid policy decisions were made.
CHAPTER ONE

FOREIGN AID - APPROACHES, ETHICS AND OBJECTIVES

Although even piecemeal historical analyses of the objectives contained within Australian foreign aid policy are rare, American foreign aid policy has been subjected to extensive exploration, analysis and criticism. This is not surprising considering the size of the American aid programme, the influence which the United States has been able to exert, and the fact that America has been the major Western aid donor and therefore something of a pacemaker in this field. It is from the United States that the two main interpretative approaches to the study of foreign aid and foreign policy have come. In the first section of this chapter these two approaches are outlined in a historical context and justification is provided for the one adopted (the 'orthodox') in this study. In addition it is important to indicate that the approach adopted allows for account to be taken of humanitarian or altruistic considerations as well as self-interested political and economic considerations in the formulation of foreign policy and in this case foreign aid policy. That is not to say that altruistic considerations are necessarily important: rather that on occasions policy-makers will take some account of such considerations. The shape of the debate on this matter will be sketched in the second part of the chapter leading into an outline of a typology of foreign aid objectives, which is designed for the detailed elucidation in the body of the thesis, of Australian foreign aid policy. Finally, there is included a brief section which touches on a number of the more important historiographical issues - namely, the nature of the source material; the selection of issues and events to be examined; and the methods used to determine influence on policy.
Aid and foreign policy – two contending approaches

This study has been undertaken at a time when two radically different interpretative approaches to the study of foreign aid are current within International Relations and associated disciplines. These approaches can be labelled the 'orthodox' and the 'radical anti-imperialist'. An exposition of the central tenets of each will enable this study to be located within that debate.

For a decade from the end of the 1940s international politics was strongly influenced by efforts to maintain a balance of power within a loose bipolar system. Competition between America and Russia was evident in many areas of international activity including the arms race and space exploration. The diplomatic efforts of both West and East were directed at the establishment and maintenance of spheres of influence or alliance blocs. On both sides the superpowers were striving to maximise the political support they received from other nations – a phenomenon particularly evident at the United Nations. Both made determined efforts to court the attentions of the new governments of Asia and Africa which emerged at the end of the colonial period. This was the international context of programmes of foreign aid from the rich to the poor, from the industrialised to the economically backward. The programmes had gained considerable impetus from the Marshall Plan for European recovery\(^1\) and took such forms as Truman's 'Point Four'

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\(^1\) The Marshall Plan was aimed at the reconstruction of already industrialised societies which had been devastated by war and was not a programme for the development of the economically backward. However, important political attitudes concerning the potential of economic development assistance were laid down in that period. For that reason, the examination from secondary sources, in Chapter Two below, of Australian attitudes in the 1940s provides a necessary introduction to a detailed study of the politics of foreign aid or development assistance which, as a distinctive part of Australian foreign policy, began with the Colombo Plan.
programme for technical assistance, the American Food for Peace and Mutual Security Assistance programmes, the British Commonwealth Colombo Plan and the United Nations Expanded Program for Technical Assistance. Political objectives were predominant and to that end, for the most part, the bilateral approach was regarded by donors as the most efficacious.

Throughout the 'fifties Western foreign aid policy was formulated without the benefit of a clearly defined or systematised body of political theory. Around the turn of the decade, however, there began to appear some of the first attempts to develop what became the 'orthodox' approach to the study of foreign aid as an instrument of foreign policy. The most notable was that by George Liska entitled *The New Statecraft - Foreign Aid in American Foreign Policy*. 1 Despite his observation that bipolarity in the international system was showing signs of strain2 Liska still held to the concept that a balance of power was necessary in the 'many-sided Cold War' of that time.3 In a situation of thermonuclear stalemate, he said, total war was no longer a technique for resolving conflict, and economic warfare became one of the available alternatives. As Liska went on to explain:

> When they treat foreign aid as a branch of economic warfare, the Soviet Union and the United States - insofar as it is aware of the issue - do not seek immediate control over each other. Rather, they grope and often fumble in the direction of ultimate victory by seeking to impress and win over the so-called third force of the uncommitted countries.

1 Published Chicago, 1960. For another analytical study which reaches beyond foreign policy to the development process itself, see Charles Wolf, Jr., *Foreign Aid: Theory and Practice in Southern Asia* (New Jersey, 1960).


3 Ibid., pp.2-5.
The rivals of today seek to influence the still-mysterious processes which shape the economic and political institutions of third countries in the indefinite future.  

The power of the two major antagonists was still to be reinforced by means of alliances, whether those alliances were based on already existing political or military arrangements or on the granting of foreign aid. Consequently Liska saw his task as being 'an attempt to weave into a coherent pattern the theory and practice of the interconnected strategies of foreign aid and politico-military alignments.'  

Liska's analysis was based on a number of general assumptions regarding the utility of foreign aid. He opposed the assertion of a necessary automatic connection between foreign aid, economic development and any particular political or economic order. 'It is wiser,' he said, 'to expect an aided development process to do no more than expand the range of effective choices for individuals. One may then try to control the process at strategic points so as to increase the chances of its moving in the desired political and economic direction.' Thus he was very wary of attempted correlations between development, democracy and stability. The emergence of democratic institutions he saw as being very much conditioned by the cultural traditions of each country and the intentions of its elites. He conceded that 'economic development may promote long-range stability, but it also depends for efficacy on pre-existing political stability and is itself unstabilizing in the transitional period.' And regarding the political forms adopted by developing countries, 'All one can say is that unless creative measures of prevention are taken, Communism will

1 Ibid., pp.4, 5.  
2 Ibid., p.5.  
3 These have been drawn from his discussion of foreign aid and ideological doctrines - Ibid., pp.5-11.
have a better chance to take over and to do so by "legal" and "peaceful" methods which supply no valid pretext for outside intervention."

Liska regarded the realities of the international system with its unequal distribution of political, military and economic power as his starting point.¹ For him the issue was to clarify the objectives of foreign aid and then devise and implement aid policies in such a manner as to extract maximum advantage through a process of mutual control within the system as it existed. That could be achieved by appropriate reforms in the areas of aid policy and administration.²

Liska's realist approach was representative of many of those who followed in the 'orthodox' tradition. Charles Wolf, Hans Morgenthau, John Montgomery, Herbert Feis and Jacob Kaplan, as some of the contributors over the years 1960 to 1967, all based their analyses on an acceptance of the current structure of international society and on the continuing, albeit less polarised, struggle for influence between West and East.³ In varying degrees, their prescriptions, as those of Liska, were for reassessment and moderate reforms to the aid process in order that American foreign policy might be made more effective.

In summary, the central tenets of the orthodox approach were fourfold. First, this approach was based on a commitment to uphold American power in the face of

¹ Ibid., pp.12-15.
² See in particular his concluding section headed 'Consistency and coherence: the grand strategy of foreign aid' - Ibid., pp.221-234.
serious perceived threats from the Communist world. Second, it was based on a belief in the superiority of the Western democratic system, a belief that was often indistinguishable from a conviction about the intrinsic merits of capitalism. Third, within this approach there was an inclination to play down the economic component of foreign policy simply by concentrating on the political. And finally, those who belonged to the orthodox school of thought were committed to the notion of gradual change: the concept of armed revolution was anathema.

The alternative 'radical anti-imperialist' interpretative approach to the study of foreign aid attracted the attention of academics (again most often American) in the mid 'sixties, as part of a general radical enquiry into the role of the United States in world affairs. That enquiry was triggered off by reaction to the rapid escalation of American involvement in the war in Viet Nam. One of the first to expound this approach was Harry Magdoff, who produced articles in 1966 and 1968 which were drawn together in the following year into *The Age of Imperialism: The Economics of U.S. Foreign Policy*. Magdoff argued the existence of what he described as the 'new imperialism' - capitalist imperialism centred in the United States of America - the underlying purpose of which 'is nothing less than keeping as much as possible of the world open for trade and investment by the giant multinational corporations.' This new form of economic imperialism is reinforced by the political and military policies of the dominant power. Magdoff emphasised, however, that the driving force of the new imperialism, namely the giant multinational corporations, stretched into industrialised and

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1 Published New York, 1969.
3 The operations of these giant corporations had earlier been incorporated into the concept of 'monopoly capitalism.' See Paul A. Baran and Paul M. Sweezy, *Monopoly Capital* (Harmondsworth, 1968. First published in the U.S.A. in 1966).
economically backward countries alike. Thus the 'struggle for power by the industrialized nations for colonial and informal control over the economically backward regions is but one phase of this economic war and only one attribute of the new imperialism.'¹ Within this framework, foreign aid, according to Magdoff, was intended to control and influence in order '(a) to keep the outer rim of the imperialist network as dependencies of the system, and (b) to sustain and stimulate the growth of capitalist forces - economic and political - within these countries.'²

Magdoff was followed among others by Andre Gunder Frank whose contribution emerged from his experiences in Latin America.³ Frank's Marxist-Leninist analysis incorporated a theory of imperialism which was characterised by the dependency relationship between the capitalist metropolis and the underdeveloped satellite, between the centre and the periphery.⁴ He argued that Latin American countries provide evidence for the assertion that it is a necessary feature of capitalism that it generates underdevelopment at the 'periphery' in order that its own needs should be satisfied. Foreign aid, however, as distinct from foreign investment, was accorded a relatively minor role: aid and foreign investment he regarded as being inextricably entwined in the process whereby private foreign capital dominated and exploited the satellite regions of the world. And to Frank, the only way out of the underdevelopment imposed in this way 'is armed revolution leading to socialist development.'⁵

¹ Magdoff, The Age of Imperialism, p.15.
² Ibid., p.139.
⁴ Ibid., pp.32-36.
⁵ Ibid., p.346.
After Frank, further theories of imperialism with wider explanatory powers were developed, including those which relied heavily on the concept of dependency.¹ However, in all, there was agreement as to the essential function of foreign aid. It was designed to deepen dependency on the dominant capitalist economic power and as a result it generated 'underdevelopment' and not development of the economies and polities of the poorer countries. And these were outcomes to which those who adopted the imperialism framework were ideologically opposed.

In the early 'seventies Teresa Hayter published a study which focused solely on the foreign aid relationship, in particular on the attempts of the World Bank, the International Monetary Fund and the United States Agency for International Development to use aid as a means of leverage in Latin America.² Although she described her work as a 'liberal critique of aid policies', it is evident from the policy alternatives which she saw as open that her implicit underlying assumptions belonged within the radical anti-imperialist approach. She argued that there is no scope for reform of the existing dominant, capitalist, foreign aid system. As she put it, 'For the moment ... the realistic alternatives are the present, politically determined, policies of the international agencies, or no aid.'³

The radical, anti-capitalist and anti-imperialist approach is one which has been propounded mainly within academic circles or within radical movements in developed

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¹ For a summary of the development of these theories see Susanne Bodenheimer, 'Dependency and Imperialism: The Roots of Latin American underdevelopment' in K.T. Fann and Donald C. Hodges (eds), Readings in U.S. Imperialism (Boston, 1971), pp.155-178.
² Teresa Hayter, Aid as Imperialism (Harmondsworth, 1971).
³ Ibid., pp.191-2.
or economically backward countries. It is an approach based on a common ideological opposition to capitalist imperialism, and United States imperialism in particular, and is one in which economic factors have an overriding importance in the formulation of foreign policy. Political aspects of foreign policy are regarded as means of furthering central economic interests. Finally, it is an approach which is anything but gradualist: only a socialist revolution would succeed in breaking the chains of dependency.

Consequently, it is unlikely, if not inconceivable, that the radical anti-imperialist approach could be shared by those responsible for the formulation of foreign aid policy in a Western capitalist country.

1 For examples of radical contributions from economically backward countries see Fidel Castro, 'On Underdevelopment', Theotonio Dos Santos, 'The Structure of Dependence', and Ernesto Che Guevara, 'Create Two, Three, Many Vietnams', in Fann and Hodges (eds), Readings in U.S. Imperialism.

2 Historically, the radical anti-imperialist approach to the study of foreign aid has been clearly separated from the alternative orthodox approach but there is some evidence that the two schools of thought may be drawing closer together. That evidence is found in the study From Aid to Re-Colonization (London, 1973) by Tibor Mende, one which shows unmistakably the influence of the radical anti-imperialist approach on the orthodox. He did not consider that the international system could any longer be realistically described in terms of a balance of power between East and West. Consequently he was not concerned with the upholding of American power vis-a-vis the Communist world. He did not believe in the appropriateness of the Western democratic example for the less-developed countries and considered that neither capitalist nor communist imported models offered solutions to their economic dilemmas. As compared with most exponents of the orthodox approach but in common with the anti-imperialists, Mende took a much stronger stand on the interrelation between political and economic power in his consideration of foreign policy. And finally, although the reforms he proposed were more structural than administrative, he still regarded the process of reform as gradualist, despite the probable future occurrence of isolated international political and economic crises. Mende's gradualism still identified him in part with the orthodox tradition. Mende could be regarded as being partly an idealist in the orthodox school of thought and partly a conservative with respect to the radical anti-imperialist approach, or it could be said that the distinction between the two approaches was becoming somewhat blurred.
whether that country is America or Australia. The perceptions and assumptions held by Australian policy makers during the period surveyed in this thesis, belong to the interpretative framework which has been labelled here as orthodox. Any attempt to describe and explain Australian foreign aid policy must, in the first instance, be undertaken within the framework adopted by policy makers. Otherwise one is subject to the danger, ever present for historians, that one is selecting only those pieces of evidence which substantiate one's initial hypothesis. For an exposition of Australian aid policy, therefore, of the two contending approaches the orthodox provides the appropriate framework. The appropriateness of the orthodox framework for this purpose in this case does not, however, imply an evaluation of the ultimate validity of either of the two approaches. Only when the record has been established, only when there exists a substantial body of knowledge on the politics of Australian foreign aid policy, will it be possible to test the validity of the hypothesis that theories of United States capitalist involvement in the world are directly transferable to the role of a relatively insignificant, albeit also rich and capitalist, country such as Australia. Only then will it be possible to attempt a reinterpretation based on the alternative imperialism framework. However such evaluation and reinterpretation belongs to a subsequent research project. The fundamental task of this thesis is the exposition of Australian foreign aid policy essentially in its own orthodox terms.

Idealism and altruism in international politics

Having discussed the central tenets of the two alternative interpretative approaches to the study of foreign aid and foreign policy and having defended the adoption of the orthodox approach, attention must now be focused on one particular debate within that school of thought in order to locate even more precisely the framework
adopted in this study. The question as to whether those responsible for formulating foreign policy ever take account of humanitarian considerations, as opposed to self-interested political and economic considerations, is one which emerges more often in connection with foreign aid than with other spheres of foreign policy. Foreign aid is often publicly justified on the grounds that the course of action adopted arises partly from an obligation on the part of rich countries to help the poor. The notion of 'helping' or 'aiding' immediately suggests an altruistic orientation. However the assertion that altruism might, even if partly, lie behind foreign aid programmes, is one which raises the familiar dichotomy in international politics between altruism and national interest, between idealism and realism. A brief exploration of the course of that debate will demonstrate, that whereas the lines of debate were once fairly sharply drawn, for most scholars in the orthodox tradition they have by now converged with an acceptance of the interconnectedness of altruism and narrowly defined national interests. The implications of this position for this study of foreign aid policy are then spelled out.

From the late 1930s through to the 1950s there was an exchange among western political writers on the realistic versus the idealistic approach to international politics. E.H. Carr, in *The 20 Year's Crisis*¹ sought to apply a corrective to the utopian perception of international society which had emerged in the literature of English-speaking countries between the two world wars. In so doing, however, Carr did not dismiss in principle the place of idealism; rather he appealed for idealism and realism to be related dialectically:

...any sound political thought must be based on elements of both utopia and reality. Where utopianism has become a hollow and intolerable sham, which serves

merely as a disguise for the interests of the privileged, the realist performs an indispensable service in unmasking it. But pure realism can offer nothing but a naked struggle for power which makes any kind of international society impossible. Having demolished the current utopia with the weapons of realism, we still need to build a new utopia of our own, which will one day fall to the same weapons. The human will will continue to seek an escape from the logical consequences of realism in the vision of an international order which, as soon as it crystallises itself into concrete political form, becomes tainted with self-interest and hypocrisy, and must once more be attacked with the instruments of realism.¹

A decade later Hans J. Morgenthau joined the debate, but with a more thoroughgoing realist philosophy. Like Carr, he mounted his attack on the utopianism of the interwar years, on Wilsonianism, on isolationism and on internationalism.² In so doing, Morgenthau insisted that 'international politics is an unending struggle for power in which the interest of individual nations must necessarily be defined in terms of power'.³ Realism in foreign policy, he said, involves 'concern ... with the concrete issues upon which the national interest must be asserted'. Abstract moral principles are inappropriate guidelines for nations which strive to face up to political realities.⁴ Moreover, statesmen who hold 'moralistic disdain for the laws of politics endanger the interests of the nations in their care'.⁵

¹ Ibid., p.93
³ Ibid., p.13.
⁴ Ibid., p.29.
⁵ Ibid., p.33.
That, however, is not to say that foreign policies based on national interest are necessarily immoral. To the contrary, in Morgenthau's terms:

The equation of political moralizing with morality and of political realism with immorality is itself untenable. The choice is not between moral principles and the national interest, devoid of moral dignity, but between one set of moral principles divorced from political reality and another set of moral principles derived from political reality.¹

In this regard, it is a political reality that no [supranational] agency is able to promote and protect the interests of individual nations and to guide their existence - and that is emphatically true of the great powers - but the individual nations themselves. To ask, then, a nation to embark upon altruistic policies oblivious of the national interest is really to ask something immoral.

... In the absence of an integrated international society, the attainment of a modicum of order and the realization of a minimum of moral values are predicated upon the existence of national communities capable of preserving order and realizing moral values within the limits of their power.

...

A foreign policy derived from the national interest is in fact morally superior to a foreign policy inspired by universal moral principles.²

Thus Morgenthau established his assertion that statesmen should not allow idealism, utopianism, humanitarianism or universal moralism to influence their management of relations between nations, and that foreign policies should be based solely on considerations of the national interest.

¹ Ibid., p.33.
² Ibid., pp.36, 38, 39.
As has been pointed out by other writers\(^1\), Morgenthau's position is not as devoid of interests which transcend the nation as he would lead us to believe. Among the 'realist' political writers there is an implicit and often explicit acknowledgement of the existence of what might be termed supranational moral values (for example, justice and freedom for all human beings) which act as a corrective to the national interest defined too narrowly. Quincy Wright, Robert Osgood and Raymond Aron were three in the realist tradition who found the dichotomy between realism and idealism unsatisfactory, and who wished to qualify one stance by drawing on the other\(^2\) but the modified realist position can be most clearly illustrated by reference to the contribution of Reinhold Niebuhr.

Niebuhr was not only critical of the liberal idealism of the interwar years\(^3\) but was critical of the 'realist' reaction. He took exception to the counsel that in international affairs a nation should consult only its own interests. As he explained:

> a consistent self interest on the part of a nation will work against its interests because it will fail to do justice to the broader and longer interests, which are involved with the interests of other nations. A narrow national loyalty on our part, for instance, will obscure our long-range interests where they are involved with those of a whole alliance of free nations. Thus the loyalty of a leavening portion of a nation's citizens to a value transcending

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3 See for example his *The Children of Light and the Children of Darkness* (London, 1944), passim, and in particular pp.111-4. See also Good, 'National Interest and Moral Theory', pp.272-5.
national interest will save a 'realistic' nation from defining its interests in such narrow and short-range terms as to defeat the real interests of the nation.¹

And the 'value transcending national interest' to which Niebuhr referred was a concept of international morality with principles of justice (such as 'liberty, equality, and loyalty to covenants') at its base.²

In the course of his argument, Niebuhr was not underestimating the force of national interests nor the realities of power in the determination of relations between nations. Rather, in a manner which writers such as Morgenthau only implied,³ Niebuhr explicitly asserted that there existed transcendent values which were acknowledged, if not always applied, as constraints on the actions of individual states. Nor was Niebuhr arguing that international morality was in any sense a particularly powerful force. To the contrary, he described universal morality as the lesser of 'two minimal forces of cohesion' possessed by the international community.⁴

Both Niebuhr and later writers have acknowledged that statesmen persist in ascribing universal moral value to their actions.⁵ As observed by Linklater, 'In estimating

² Ibid., p.129. As a minor philosophical digression, it is important to recognise that Niebuhr's 'value transcending national interest' is not simply the 'long-range interests' of a nation. The 'long-range' interest is, as he calls it, a 'collective self-interest' (Ibid., p.130) which can only be determined as the interests of various nations are adjusted in accordance with an internationally accepted value system, i.e. in accordance with a system of international or universal morality.
⁴ The Children of Light and the Children of Darkness, pp.114-5. The other, Niebuhr said, was 'the fear of anarchy'.
the significance of this [universal moral] language, theorists in the realist school maintain that the role of [universal] moral principle is virtually confined to legitimising action taken in the national interest'.

However, if altruistic moral principle is to have legitimising power, it cannot be used in a totally hypocritical manner. For it to have such power there must be at least an element of truth in the assertion that such moral claims bear some relation to foreign policy decisions.

We have been primarily concerned here with the interconnection between an altruistic concept - universal morality - and national interest, as expounded by the 'orthodox', realist school within the discipline of international relations. That position, laid down initially during the 'forties and early 'fifties, has remained substantially unchallenged and has not been the subject of further extensive investigation.

Originally it appeared as though there was a clear distinction between Carr's utopia (though that was qualified) and Morgenthau's power based realism. As the debate drew to a close, the interdependence between idealism and realism, between universal morality and national interest in foreign policy had been more generally acknowledged.

1 Ibid.

2 See Niebuhr, The Children of Light and the Children of Darkness, p.125; and Osgood, Ideals and Self Interest, p.16.


There is appearing a growing interest in the nature of international morality or moral order in world politics (See for example Linklater, 'Moral Agents and International Politics', pp.295-314), but that course of enquiry is tangential to this study of Australian foreign aid policy.
While foreign aid *per se* was only briefly mentioned in that debate, the implications of the position reached for political studies of foreign aid policy were very clear. The official statements by donors concerning their foreign aid programmes may be heavily couched in altruistic or humanitarian terms. Should that be the case, the altruistic element cannot be dismissed out of hand. Nor can the relatively incidental references to self-interest, to political and economic considerations, be accepted at face value as an indication of their weighting in the formulation of aid policy. It should always be expected that all considerations - humanitarian, political and economic - have been taken into account when policy decisions were made. Moreover, it should also be expected that altruistic considerations are likely to be regarded by governments as the least important of the three. However it is at this point that the limited utility of the idealist-realist debate for a study of foreign aid policy becomes obvious. That debate firmly establishes 'altruism' in the analytical vocabulary appropriate to aid policy but it provides no guidelines as to an effective means of evaluating the significance of the different considerations for policy formulation. That can only be done after identifying the particular altruistic and self-interested considerations involved, and identifying the complex range of policy objectives associated with those considerations.

'Why give foreign aid?' - a typology of objectives

It may be thought that by the mid 1970s, after some twenty five years' experience of providing economic aid or economic development assistance, it would be unnecessary to have to set out a typology of possible objectives or purposes of foreign aid. However, there are still appearing analyses of foreign aid which contain an incomplete or inadequate framework for an examination
of aid objectives. It is essential that aid objectives be elaborated in order that there should be as little confusion as possible in the historical account and analysis of aid policy which is undertaken in this study.

This is all the more important in the Australian context because from the early 'sixties the Government frequently asserted that the principal objective of foreign aid policy was 'economic development'. Ministers or officials rarely proceeded further in their explanation of the purposes of aid. As it stood, the assertion that 'economic development' was the principal objective only obfuscated the Government's intentions.

Should one have asked why the Government wished to assist the economic development of surrounding less industrialised countries, one could have received the reply, as a 'higher level' objective, that it wished, for example, to promote political stability in those countries. Should that answer have been subjected to a further 'Why?' it could have been explained at a more abstract or generalised level that the political stability of surrounding countries was to Australia's strategic advantage. In this manner a hierarchy of objectives is established across progressively 'higher', more abstract,

1 See, for example, Robert B. Black, 'Aid: Evolution of Foreign Assistance Programs' in John H. Esterline and Robert B. Black, Inside Foreign Policy (Palo Alto, 1975), pp.172-176. Black examined the purposes of foreign under four headings: security, political stability, development and humanitarianism. His analysis is incomplete in that it ignores American economic or commercial interests, and it is inadequate in that he confused 'types' of aid programmes with 'objectives' or 'purposes'. Moreover he gave no indication of the particular purpose of 'development' aid.
and more generalised levels of explanation. However, the more generalised the objective, the less it is of value in choosing between specific policy alternatives. For that reason in this study explanations at the level of Australia's strategic advantage, for example, are described as general 'considerations' underlying policy, considerations from which flow the lower level, more specific objectives such as 'political stability'. Thus the official goal 'economic development' can be seen to have served a range of 'higher level' objectives which can only be identified once the various considerations underlying Australian aid policy are distinguished.

1 This process of asking yet another 'Why?' and the concept of 'higher level' objectives is drawn from Wolf, *Foreign Aid: Theory and Practice in Southern Asia*, pp.249-251. A more extended hierarchy of possible objectives could be made up of the following interconnected propositions:

a) Obtain budgetary allocation, in order to enable
b) Provision of foreign aid, in order to promote
c) Recipient's economic development, in order to encourage
d) Recipient's political stability, in order to gain
e) Australia's strategic advantage, in order to advance
f) Australia's security, in order to facilitate
g) Australia's well being.

The terms in italics are objectives which appear at 'higher', more abstract and more generalised levels as one moves from b) to g). This study focuses on propositions b) to e). Because it is not so concerned about the relation between propositions a) and b), in this study the "Provision of foreign aid" is not called an 'objective' but a 'means' of serving objective c). That objective is described as a lower level objective which also serves (i.e. is the means towards) the higher level objective - Recipient's political stability. Similarly that objective serves another - Australia's strategic advantage - at an even higher, more generalised level. However, because strategic advantage is too generalised to determine other than the broader policy alternatives, in this study it is labelled a 'consideration'. Propositions f) and g), being at even more generalised levels, are also regarded as considerations.
These considerations can be grouped under three main headings - political, economic and humanitarian - in a manner which will be adhered to throughout this study.\(^1\) Political considerations can be conceived of in three broad categories - Australia's diplomatic advantage, its strategic advantage, and the development of an ideological affinity between Australia and the recipient of its economic aid. Economic considerations are those economic or commercial advantages which Australia expects to flow from its foreign aid, either in the short or long term. And humanitarian considerations can be regarded as the nation's altruistic concern for the welfare of people in economically backward, poor countries.\(^2\) Together, all these considerations, to varying degrees, are at the basis of Australian foreign aid policy. From these broad considerations flow the more specific objectives which determine policy choices.

Whether the objectives listed below are justifiable or valid is not at issue in this study. To take just one example, foreign aid may or may not encourage the

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1 This categorisation - political, economic and humanitarian - is similar to the basic framework adopted by Wolf (Foreign Aid: Theory and Practice in Southern Asia, pp.259-284). Wolf, however, did not use the term 'considerations', relying only on 'higher level objectives'. This framework was adopted in preference to that put forward by Hans Morgenthau ('A Political Theory of Foreign Aid', American Political Science Review, Vol.56, No.2 (June 1962), pp.301-9) because Morgenthau's categories (humanitarian foreign aid, subsistence foreign aid, military foreign aid, bribery, prestige foreign aid and foreign aid for economic development) were related more to types of aid than objectives of aid. John D. Montgomery's framework (diplomatic, compensatory and strategic - see Foreign Aid in International Politics, (Englewood Cliffs, 1967), pp.7-19) was based on 'purposes' of aid but was also rejected in that it did not facilitate easy identification of what are regarded as the three basic groups of aid policy objectives - the political, the economic and the humanitarian.

2 These 'considerations' are sometimes referred to in the literature as 'motives' for giving aid. See, for example, Edward S. Mason, Foreign Aid and Foreign Policy (New York, 1964), p.4; John White, The Politics of Foreign Aid, (London, 1974), pp.34-35; Montgomery, Foreign Aid in International Politics, p.21.
development of democratic institutions and practices.\textsuperscript{1} It is not necessary that that assumption be evaluated for the historical record of the objectives of Australian foreign aid policy to be established. In the first instance, it is only important to discover whether that assumption - that foreign aid encourages democratic institutions - was included either explicitly or implicitly within the Government's aid policy. For that reason, the following objectives are based on Australian policy as it developed from 1950. They are introduced in the text, but the typology constructed can also be represented in tabular form as in Diagram 1, below.

Using the same subdivision as for political considerations, the associated political objectives can be seen to emerge in the following manner. Diplomatic advantage is gained if, for example, foreign aid helps to develop good working relationships and creates goodwill between donor and recipient governments. Diplomatic advantage might also be acquired if foreign aid enhances the international prestige of the donor. Thus good working relations, goodwill and prestige are some of the diplomatic objectives being pursued within aid policy. Strategic advantage as a general consideration, may be furthered, for example, by using foreign aid to maintain alliances (both formal and tacit) or by using economic aid to help promote political stability, or occasionally military preparedness, in recipient countries. Similarly the development of an ideological affinity between donor and recipient may take place if, for example, foreign aid encourages the spread of democracy and freedom or, in particular, facilitates the adoption of Western democratic institutions.

\textsuperscript{1} For some early arguments which suggest that there is no necessary causal relationship between foreign aid and the growth of democratic institutions see Liska, \textit{The New Statecraft}, pp.6-7; and Morgenthau, 'A Political Theory of Foreign Aid', p.307.
A TYPOLOGY OF AID OBJECTIVES

CONSIDERATIONS

Political
- diplomatic advantage
  - goodwill
  - working relationship
  - prestige
  - political stability
  - alliances
  - military preparedness
  - democratic institutions
  - export sales

Economic
- economic advantage
  - investment opportunities
  - raw materials access
  - obligation to help poor
  - help disaster victims
  - repayment of debt
  - economic development

Humanitarian
- human welfare
  - economic development

OBJECTIVES

higher level

lower level

Notes:
1. This typology is not intended to be exhaustive.
2. The full lines indicate the principal relationships between considerations and objectives. The dotted lines indicate something of the complexity of the secondary relationships which exist.
Consequently, the encouragement of democratic institutions may be one of the ideological objectives pursued. These are examples of the sorts of aid objectives which are gathered under the heading 'political' in this study.

The economic advantage of Australia as an aid donor involves the improvement of its trading and investment opportunities in recipient countries. Commercial and industrial interests may wish to ensure raw materials supplies, to export both goods and services, or to invest in areas where a product market has already been established. Although in practice these economic objectives may not be independent determinants of Australian foreign aid policy, it is necessary that they be regarded as one cluster of objectives which attract more or less attention at different times.

Humanitarian objectives are statements of those goals which are regarded as being to the advantage of the recipient rather than the donor. For example, a donor country may acknowledge an altruistic moral responsibility to help improve the living standards of people in poor, economically backward countries. A donor may wish to help the victims of a natural or man-made disaster in a less-developed country. And some people in donor countries may put forward the objective, derived from a concept of international justice between nations, that aid is repayment of a debt incurred by the rich when the poor were subjected to colonial exploitation. These or similar objectives may enter into official calculations in two ways. First, some officials involved in making policy decisions may themselves be altruistically motivated to aid people in less-developed countries. Second, officials may take into account the views of people or groups who share these same feelings of moral obligation or human compassion. Policy makers may allow themselves to be influenced by altruistic pressure groups for non-humanitarian reasons such as likely electoral advantages for the government in power. However, because it is difficult to distinguish,
from either documents or interviews, between official altruism and official deference to the altruism of others on political grounds, both are grouped together under the heading 'humanitarian considerations'. As a consequence of these considerations, humanitarian objectives such as those described, may from time to time be incorporated into Australian economic aid policy.

The objectives enumerated above - from the maintenance of alliances to the improvement of the lot of inhabitants of poor countries - are not exclusively the outcome of the particular considerations with which they have been associated so far. For example, the creation of good working relationships between donor and recipient will not only be sought as a result of political considerations but may also be an objective following from economic considerations, because such relationships are likely to facilitate the creation of additional trading opportunities. Again, the alleviation of the plight of victims of a disaster in a less-developed country may not only be the outcome of humanitarian considerations but also the result of a political desire to maintain national prestige in international circles. The connections described above, however, indicate the principal relationships between considerations and objectives.

Objectives of aid policy also are not pursued singly, as may be suggested by the analytical categorisation adopted. Political, economic and humanitarian considerations are always mixed in the calculations of governments and therefore a mixture of the various objectives, whether stated or assumed, will always be present whenever policy decisions on aid are made.

There are many occasions when objectives are assumed, when considerations are not explicitly presented, and when the continuing aid programme appears to be based on bureaucratic factors. These are often embodied in standard operating procedures and are common to all areas of government administration. In the sphere of foreign
aid they involve, for example, the calculation that this year's programme should be based on last year's programme plus, perhaps, an increase to preserve a constant rate of growth (maybe the rate of growth of the Gross National Product). Bureaucratic factors, however, can only come to the fore when elements of the aid programme are allowed to continue unchanged because it is thought that the original considerations still apply and do not require re-assessment. These bureaucratic factors, therefore, are not autonomous but are based on the political, economic and humanitarian considerations and objectives laid down in an earlier period. Such factors will be rendered much less important when, in part or in whole, foreign aid policy is subjected to review. Then political, economic and humanitarian considerations may be restated, and aid objectives may be reformulated.

To complete this typology of aid objectives it is necessary to reverse the process which was begun using the 'Why?' question at the beginning of this section. It is now necessary to ask 'How does a donor government pursue political, economic and humanitarian objectives of aid such as those listed above?' With one or two important exceptions, the Australian Government indicated that if the poor countries were able to achieve economic development, objectives such as those listed would be served. Thus 'economic development' can be regarded as an even more specific, 'lower level' objective, and the means of forwarding that objective in turn was the provision of 'economic
development assistance'. The same 'lower level' objective applied regardless of which particular mixture of those 'higher level' objectives identified above was being pursued. And it was this 'lower level' economic development objective which, increasingly during the 1960s, the Government referred to as the 'principal objective' of Australian foreign aid policy. Thus the intentions of the Government in providing foreign aid can only be discovered as the underlying considerations - political, economic and humanitarian - are explored in a historical context.

It is the historical exploration of donor behaviour which distinguishes this study from one which might be written by an analyst of economic development per se. Among economists, the debate concerning foreign aid most often is carried on in the area involving the 'lower' objective (economic development), a debate which revolves around the value of foreign aid to the recipient. A question which unites both approaches is whether foreign aid does indeed promote economic development. Aid

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1 One exception to the official description of aid as 'economic development assistance' was emergency aid for disaster relief. A second exception was the way in which the Government referred to foreign aid provided in pursuit of a military objective. When this objective was stated, often foreign or civil aid was specifically described as being for the development of defence preparedness in the recipient country, and economic development was not mentioned. It is recognised that 'defence support' assistance (as it was sometimes called) may indirectly assist the economic development of the recipient in that, with such assistance, its domestic resources could be rechannelled from military into economic development spheres. Furthermore, foreign aid expenditures on a military vehicle workshop, for example, were likely to have long-term repercussions for the economic development of the recipient as mechanical expertise spread through the community at large. But these examples merely demonstrate the ways in which mixed objectives may be served - a point already made in the text above. In the opposite sense, military objectives are sometimes pursued by means of 'foreign aid for economic development'. The construction of roads, for example, for the stated purpose of 'economic development' may have been related primarily to military objectives, namely defence preparedness in the recipient country and an improved military alliance between donor and recipient.

2 See Diagram 1 above.
should be seen to promote development if a number of objectives, such as the creation of goodwill or enhanced prestige, are to be achieved. This link between the two approaches, however, cannot be taken too far because it is becoming increasingly obvious that aid policy objectives, such as the maintenance of political stability, at times run counter to economic development objectives for recipient countries, objectives which emphasize the importance of change (economic, social and political), not stability, for the economic development process. This inquiry, it must be restated, is addressed to donor intentions regarding aid, not its impact in recipient countries.

Now that a typology of foreign aid objectives has been outlined, it is possible for the relative importance of the different objectives and considerations to be assessed by means of empirical research within the body of this thesis.

Some historiographical issues

The following chapter in this introductory section of the thesis (Part I) focuses on Australian attitudes in the 1940s. That chapter, as already indicated above, is drawn principally from secondary sources for the reason that considerable research into that period has already been undertaken. At the risk of simply reiterating well established propositions concerning, for example, Dr H.V. Evatt's proclivity towards idealist, internationalist action and rhetoric, it is felt that the inclusion of this chapter was necessary because the available material required re-ordering in a manner which highlighted the important antecedents - both attitudes and events - of Australian foreign aid policy.

The historical method adopted in Part II, of relying largely on official policy statements, may at first sight appear to be a somewhat dubious method of discerning aid policy objectives. Policy statements were indeed usually produced after the event for particular
audiences as justification of action taken. For that reason, it may be argued that they can hardly be regarded as a reliable guide to the different aid objectives which the Government pursued when it determined particular courses of action. While that criticism has some validity, there are important reasons for still relying heavily, in Part II, on official enunciations of aid policy. Within a political system which provides, from alternative sources, only a very limited amount of information on official policy (contrary to the American system within which Congressional committees fulfil that function), the non-governmental perception of official policy must largely be based on official statements. As this is likely to affect non-governmental interest in, and influence with respect to the formulation of, Australian aid policy, it is important that the official portrayal of policy is historically recorded in the first instance. This 'declared' version of Government policy is then modified in accordance with the insights which are gained, in Part III, from a detailed examination of other aspects of the political process within which aid policy has been formulated.

In the chapters which focus on the role of the bureaucracy (Part III, Chapters Six and Seven), the particular aspects of the aid programme which are discussed, were chosen either because of their intrinsic importance or because they represented significant turning points in the evolution of Australian aid policy. In this process of selection, however, there is an arbitrary dependence on the patience of public servants since, of necessity, interviews and not documentary examination was the basic research method adopted.¹

A recurring question in Part III is the extent of influence exercised by different institutions or groups on government foreign aid policy. Any study of influences

¹ For an explanation of the way in which oral evidence was handled, see 'A Note on Interviews', p.xiii, above.
on aspects of contemporary Australian foreign policy has to face the almost impossible task (because evidence is necessarily limited) of assessing whether different forces have or have not made an impact on government policy. Cabinet and departmental documents are not accessible, and in the case of foreign aid policy over two decades, when aid was rarely a matter of political controversy, it is unrealistic to expect that Cabinet Ministers would be able to recall sufficient detail in interviews. Instead, this thesis is based on the premise that, with respect to uncontroversial elements of foreign policy (including aid policy), Ministers usually accepted the advice of their departments, and only irreconcilable inter-departmental differences were left for resolution in Cabinet. The likely influence of the public is then assessed on the basis of coincidence between changes in government policy or practice, and expressions of public opinion. Public influence is also assessed on the basis of a correspondence between elements of domestic opinion and the general direction of official policy over a period of time. This method of establishing influence on policy formulation is tenuous, but is the only available method when internal government documentation is not available.

... .

This chapter has served a number of purposes. It has placed this thesis within the 'orthodox' interpretative approach to the study of foreign aid. It has located the thesis even more precisely in relation to the position on altruism and national interest as held by the 'modified realists' within the 'orthodox' school of thought. However as this position provides no guidelines for an assessment of the relative significance of humanitarian and self-interest considerations in aid policy formulation, a typology of objectives is developed as the most appropriate framework
for an analysis of the intentions of the Australian Government in this area. The groundwork has now been prepared for the historical explication of the politics of Australian foreign aid policy.
By January 1941, World War II had been raging in the European theatre for some sixteen months but the Japanese offensive in the Pacific had not yet moved beyond China. The United States was not a belligerent but was providing increasing quantities of military supplies for the British war effort. It was then that President Franklin D. Roosevelt delivered his 'four freedoms' message to Congress and in so doing conveyed something of American idealism concerning democracy and world order. After elaborating on the serious threat to the security of the United States and other 'democracies' posed by the current 'aggressors', and after indicating the necessity for a vastly increased productive effort, Roosevelt went on to say:

In the future days, which we seek to make secure, we look forward to a world founded upon four essential human freedoms. The first is freedom of speech and expression - everywhere in the world. The second is freedom of every person to worship God in his own way - everywhere in the world. The third is freedom from want - which, translated into world terms, means economic understandings which will secure to every nation a healthy peacetime life for its inhabitants - everywhere in the world. The fourth is freedom from fear - which, translated into world terms, means a world-wide reduction of armaments to such a point and in such a thorough fashion that no nation will be in a position to commit an act of physical aggression against any neighbour - anywhere in the world. That is no vision of a distant millennium. It is a definite basis for a kind of world attainable in our own time and generation.¹

These words aptly expressed the war-time aspirations of the Western Allies for the 'better world' for which they were fighting.

The freedoms theme and its implications were soon taken

up in Britain. In May, Foreign Secretary Anthony Eden paid tribute to Roosevelt's message to Congress, describing it as 'a momentous world event.' After arguing aspects of the Allied position, Eden endorsed the President's 'four essential freedoms' as being 'fundamental to human development and democratic responsibility' and expanded on 'freedom from want' in terms of practical measures for post-war reconstruction in Europe. The Allies were coming to regard relief and reconstruction as an integral part of the war effort.

The international implications of freedom from want and freedom from fear were expressed in more detail in the Atlantic Charter. The preamble to the Anglo-American declaration indicated that the eight clauses constituted 'certain common principles in the national policies of their respective countries on which they base their hopes for a better future for the world.' Peace, it was hoped, would follow 'the final destruction of Nazi tyranny' (clause 6); freedom of the seas should thereby be established (clause 7); and it was believed that the disarmament of aggressor nations was essential (clause 8). The wants of the world were to be satisfied according to clauses 4 and 5:

Fourth, they [America and Britain] will endeavour, with due respect for their existing obligations, to further the enjoyment by all states, great or small, victor or vanquished, of access, on equal terms, to the trade and to the raw materials of the world which are needed for their economic prosperity;
Fifth, they desire to bring about the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labour

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3 The Charter was signed by Roosevelt and Churchill on 12 August 1941. (See reference in Article VII of the 'Anglo-American Agreement for Mutual Aid Against Aggression' in Department of External Affairs, Current Notes on International Affairs (Canberra) (hereafter cited as Current Notes), Vol.12, No.4 (March 1942), p.109, the text of which appears below, p.14, fn.4. However the Charter is commonly dated by its release on 14 August 1941. For the full text see Addresses and Messages of Franklin D. Roosevelt, pp.90-1.
4 Ibid., p.91.
standards, economic advancement, and social security;¹

These two clauses incorporated principles which were regarded by Roosevelt and Churchill as essential if all men were to live in freedom from fear as well as freedom from want.

In January 1942, after Japan had bombed Pearl Harbour and the United States had entered the war, the Atlantic Charter received wider international endorsement when it was incorporated in the Joint Declaration by the United Nations.² The original twenty-six signatories, including Australia, subscribed to the Charter as a preliminary to pledging their support for a united attack on the Axis powers. 'Freedom from want', involving the economic welfare of people in all countries, had become an integral part of the Allies' war aims which included the defeat of 'aggression' and the achievement of a better world order based on security and prosperity.

**Australia within the international arena.**

In November 1941, Australia's Minister for External Affairs, Dr H.V. Evatt, acknowledged the importance of Roosevelt's Four Freedoms and the Atlantic Charter, and spoke of the significance of those declarations for post-war co-operation.³ However, in so far as post-war issues had caught the attention of the Government, they were soon to be pushed to one side. The Japanese offensive, of December,

¹ Ibid.
² Before the formation of the United Nations organisation the "United Nations" referred to those countries which had formed an alliance against the Axis powers. The original signatories to the 1942 Declaration were the United States of America, the United Kingdom of Great Britain and Northern Ireland, the Union of Soviet Socialist Republics, China, Australia, Belgium, Canada, Costa Rica, Cuba, Czechoslovakia, Dominican Republic, El Salvador, Greece, Guatemala, Haiti, Honduras, India, Luxembourg, Netherlands, New Zealand, Nicaragua, Norway, Panama, Poland, South Africa and Yugoslavia. - see Current Notes, Vol.15, No.8 (Special issue, September 1944), pp.227-8 for the text of the Declaration made in Washington on 1 January 1942.
³ Australia, Commonwealth Parliamentary Debates (Hansard) (Canberra) (hereafter cited as CPD), Vol.169, 26 and 27 November 1941, p.978.
constituted a direct threat to Australia and the speeches of both the Prime Minister and the Minister for External Affairs during 1942 and most of 1943 reflected the urgent preoccupation of the Government with immediate military exigencies.¹

Although questions of international economic welfare were not given any prominence in Government public statements between 1941 and 1943, there were developments within the public service resulting from a growing awareness, among officials, of the increasing importance of international economic factors. It became evident, as early as 1941, that economic reconstruction within Australia could not be undertaken in isolation. The responsibility for national post-war reconstruction had been vested in a Reconstruction Division within the Department of Labour and National Service.² Various committees were organised, one of them being a Reconstruction Committee on External Relations which was to explore, among other things, 'Australia's political and economic interests in the post-war settlements'.³ This committee, consisting of representatives of various Departments, did not make any progress: it met only once in December 1941. For that meeting, however, the Department of External Affairs had prepared material which was to have a direct bearing on departmental thinking concerning the formation of the United Nations Organisation.⁴

In June 1942, another Inter-Departmental Committee on External Relations was formed, this time by a number of Departmental Secretaries on their own initiative and without

¹ W. Macmahon Ball, 'Introduction', in H.V. Evatt, Foreign Policy of Australia (Sydney, 1945), p.v.
² That Department had been established in October 1940 primarily to meet war-time demands. The Reconstruction Division became a full Department of Post-War Reconstruction in 1942.
⁴ At Parliament House, Canberra, on 4 December 1941 - Ibid.
⁵ Ibid. Hasluck, then an official in the Department of External Affairs, had been asked to prepare the material by the Secretary of the Department, Col. W.R. Hodgson.
specific Ministerial authorization.\textsuperscript{1} It had been established to facilitate consultation over inter-related international economic questions, and to that end included representatives from External Affairs, Treasury, Trade and Customs, Labour and National Service, and the Department of Post-War Reconstruction.\textsuperscript{2} In 1944, as the subjects handled became more urgent, its operations came under closer Ministerial scrutiny, rivalry between departments over more strongly held points of view emerged, and it ceased to function. However, between 1942 and 1944 this committee laid the foundations for Australia's post-war foreign policies in the economic area.\textsuperscript{3}

Early departmental planning for post-war international economic co-operation was not undertaken in isolation from world events; Australia was closely linked with developments within various international organisations. Even during 1942 at a time of great military crisis, the Department of External Affairs continued to deal with economic issues raised by the special International Labour Conference on reconstruction, held in October-November 1941.\textsuperscript{4} Australia also continued to participate in the International Wheat negotiations which had begun again in earnest in July 1941 and which included the Washington meeting of June-July 1942.\textsuperscript{5} As a consequence of that meeting, Australia agreed to contribute wheat to a pool 'for intergovernmental relief in war-stricken and other necessitous areas'.\textsuperscript{6}

\textsuperscript{1} Ibid., p.138. See also L.F. Crisp, \textit{Ben Chifley: A Biography} (London, n.d.) p.183.

\textsuperscript{2} Representatives from the Department of Post-War Reconstruction joined the committee after that Department was formed in December 1942.

\textsuperscript{3} Hasluck, \textit{Australia and the Formation of the United Nations}, p.138.

\textsuperscript{4} See the summary of proceedings in \textit{Current Notes}, Vol.12, No.2 (January 1942), pp.32-38, and the article which enlarged on 'that part of the conference proceedings directly concerned with planning in post-war reconstruction' in \textit{Current Notes}, Vol. 13, No.2 (August 1942), pp.45-50.

\textsuperscript{5} See 'the statement on the Memorandum of Agreement regarding International Trade in Wheat' issued in Canberra on 2 July 1942 - Ibid., pp.37-38.

\textsuperscript{6} Ibid., p.38. See also Evatt's Second Reading speech on the United Nations Relief and Rehabilitation Bill 1944, \textit{CPD} Vol. 179, 7 September 1944, p.588.
Similarly, during 1942, Australia agreed to contribute wool for post-war relief. There were no immediate demands for either commodity, but nevertheless, by its statements of intent, the Government had declared, within international circles, its commitment to the cause of war-devastation relief. That commitment was consistent with the interest which the Government had taken, since September 1941, in the operations of the Inter-Allied Committee for Post-War Relief. The Inter-Allied Committee began with a European focus but was soon to be transformed into the United Nations Relief and Rehabilitation Administration (UNRRA) with world-wide responsibilities. Also during 1942, Australia negotiated the Reciprocal Lend-Lease Agreement with the United States. That Agreement was primarily concerned with the war effort but as it was based on the Anglo-American Mutual Aid agreement, it also involved affirmation of the importance of post-war international economic collaboration to help ensure the 'liberty and welfare of all peoples.' Throughout 1942, although the

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1 Ibid.
3 See below pp.23-27 where Australian involvement with UNRRA is examined.
4 For the announcement of the Australian agreement with the United States see *Current Notes*, Vol.13, No.3 (September 1942), pp.63-64.
For the full text of the 'Anglo-American Agreement for Mutual Aid Against Aggression' of 23 February 1942 see *Current Notes*, Vol.12, No.4, (March 1942), pp.107-110.
Article VII of the Mutual Aid Agreement read as follows:
In final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of the 11 March,1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and betterment of world-wide economic relations. To that end they shall include provision for agreed action by the United States of America and the United Kingdom open to participation by all other countries of like mind, directed to the expansion by appropriate international and domestic measures of production, employment and exchange and consumption of goods which are the material foundation of liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce and to the reduction of tariffs and other trade barriers; and in cont.
Japanese threat was the nation's most urgent pre-occupation, the Australian Government was being reminded from a number of directions that more attention would soon have to be devoted to international economic issues involving relief, reconstruction and new forms of world organisation.  

From April 1943, after the immediate threat to the Australian mainland had been averted and while Evatt was undertaking his second mission to the United States and Great Britain to ensure that the Pacific war effort did not slacken, 'freedom from want' came to occupy a place of greater prominence among Australian foreign policy objectives. In its attempts to help bring about 'freedom from want', the Government followed three specific lines of action - the international advocacy of full employment, the strengthening of the economic provisions of the proposed United Nations Charter, and the actual contribution of Australian resources towards schemes of relief and rehabilitation.

Australia believed that the long-term solution to the problem of 'decent standards of living for all peoples' lay in world-wide acceptance of a full employment policy. In his address to the New York Overseas Press Club in April 1943, Evatt began to stress the importance, among other political and economic objectives, of ensuring 'that the major industrial countries shall maintain high level [sic] of employment and living standards within their own borders.' This he regarded as 'absolutely essential for general to the attainment of all economic objectives set forth in the joint declaration made on the 12 August, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

At an early convenient date, conversations shall be begun between the two Governments with a view to determining in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking agreed action of other like-minded governments. - Ibid., pp.109-110.

1 In a similar manner, Hasluck has drawn attention to economic proposals which were being put forward in 1942 by the International Labour Organisation and the Inter-Allied Committee for Post-War Relief, and as a result of the Australian-American Lend-Lease Agreement. See 'Australia and the Formation of the United Nations', pp.136-7.

2 Ball, 'Introduction', in Evatt, Foreign Policy of Australia, p.vi.

3 Evatt, Foreign Policy of Australia, p.117.
the economic and political security of the world." The same theme was taken up by Evatt at the United Nations Food Conference held at Hot Springs during May and June. A more detailed elaboration of the Government's policy in relation to international economic collaboration, including its full employment policy, was provided at the International Labour Organization (ILO) Conference, Philadelphia, on 24 April 1944. J.A. Beasley, Minister for Supply and Shipping, presented to the ILO Australia's case for a conference leading to an international agreement on full employment. After indicating that the basis of Australian policy was to be found in clause 5 of the Atlantic Charter and Article VII of the United Kingdom-United States Mutual Aid Agreement, Beasley reminded the Conference of Australian efforts in endeavouring to have accepted by all nations the raising of living standards as the primary means of securing increased trade and establishing harmonious international economic relations...

Raised standards of living were being regarded here as simply a means to other international economic objectives such as trade — a primary concern of Australia. After further arguing his case, Beasley reached the conclusion that

the critical factor controlling the raising of standards of living and the level of trade throughout the world will be the kind of domestic policies which are followed by the larger economies such as those of the United States of America and the United Kingdom. This being the case, higher levels of employment throughout the world, and in particular higher levels of employment in the more developed countries, should be the first goal to be sought in international economic collaboration.

1 Ibid., p.118.
3 For the text, see above, pp.10-11.
4 For the text, see above, p.14, fn.4.
6 Ibid., p.87. See also statements by Evatt on the importance of high levels of employment and consumption — *CPD*, Vol.178, 17 March 1944, p.1554; *CPD*, Vol.179, 19 July 1944, p.233; and Ibid., 8 September 1944, pp.606-7.
Rising standards of living and increasing international trade were two interdependent objectives of Australian international economic policy.

It was thought that all would benefit from increased employment and consumption in the rich countries, but gradually it was realised that, because of their particular economic problems, less-developed countries would not benefit in the same way. At the Bretton Woods International Monetary Conference, held in July 1944, when Australia again pressed its full employment policy, the Australian delegation, headed by L.G. Melville,\(^1\) recognised that there were 'underdeveloped countries whose problem is one of increasing production rather than maintaining employment.'\(^2\) Australia had come to acknowledge that a full employment policy could only be of major benefit to those countries which were already sufficiently industrialised.\(^3\)

In one sense, Australia's efforts in strengthening the economic provisions of the proposed United Nations Charter at San Francisco were the culmination of its vigorous advocacy, over a two year period, of an international agreement on full employment.\(^4\) Full employment was a vital element of the Government's external economic policy but at San Francisco it was set within broader proposals for strengthening the powers of the United Nations to promote international economic collaboration. In this regard, some of the Australian amendments to the Dumbarton Oaks draft were designed to pledge members to the stated purposes of economic and social co-operation; to broaden the scope of those purposes to include, in particular, 'employment for all'; and to obligate members to report to the United Nations on action taken in the economic and social spheres. In addition

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\(^1\) Later Sir Leslie Melville.


some amendments were designed to upgrade the status and increase the powers of the Economic and Social Council.\(^1\) As a result of the efforts of Australia and other nations\(^2\) the Council became a principal organ of the United Nations organisation and it was created with considerably wider powers than those originally envisaged at Dumbarton Oaks. Most of the Australian amendments had been incorporated and Article 55 of the Charter, the statement of purposes, finally read as follows:

With a view to the creation of conditions of stability and well-being which are necessary for peaceful and friendly relations among nations based on respect for the principle of equal rights and self-determination of peoples, the United Nations shall promote:

(a) higher standards of living, full employment, and conditions of economic and social progress and development;

(b) solutions of international economic, social, health, and related problems; and international cultural and educational co-operation; and

(c) universal respect for, and observance of, human rights and fundamental freedoms for all without distinction as to race, sex, language or religion.\(^3\)

The Australian Government was convinced that the United Nations Charter should embody the economic objectives of the widely accepted Atlantic Charter as well as the full employment principles contained in the 1944 Philadelphia Declaration of the International Labour Organisation.\(^4\) In concert with others, Australia was largely successful in

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achieving that immediate goal.¹ The Government's concern for increasing standards of living throughout the world, based upon full employment, had now been taken up at the international level.

Evatt had outlined Australia's hopes for the new world organisation in the month preceding the San Francisco Conference:

The truth is that real stability in the post-war world can be achieved only by carefully building an organization that will do its utmost to assure to the peoples of the world a full opportunity of living in freedom from want as well as in freedom from external aggression.²

The Australian Labor Government expected that the United Nations organisation would rapidly begin to grapple with the issues involved in raising standards of living everywhere.

Within the San Francisco negotiations, the promotion of international human welfare was applied particularly to people in dependent territories. Australian amendments to the Dumbarton Oaks draft in part were designed

to lay down the principle that the purpose of administration of all dependent territories is the welfare and development of the native peoples of such territories...³

Welfare and development issues here were closely linked with the international political question of colonial dependencies - a question on which strong differences of opinion had emerged between the British and the Americans during the previous three years, and on which Evatt also had firm views.⁴

But the 'Declaration regarding non-self-governing territories'

¹ Specifically with regard to full employment, the Australian Delegation reported: 'It is our belief that the essential terms of the type of international agreement we wished to conclude are now written into the United Nations Charter.' - UNCIO : Australian Report, p.21.

² Evatt, 'University of California Charter Address', p.84.

³ Evatt, 'The Australian Objectives', p.79.

(Article 73 of the Charter), focused on issues of 'political, economic, social and educational advancement' in more detail than Article 55. The greater detail suggests that conference delegates were more familiar with the specific needs of dependent territories than they were with the means of achieving international 'stability and well-being'. This may also partly explain Australia's substantial financial commitment to the development of the Territories of Papua and New Guinea immediately after the war, but Australian colonial policies and her economic aid to the Territories will be examined in Chapter Five. It is sufficient to note here that the Labor Government's concern for the living standards of people in less-advanced countries found expression in the United Nations Charter negotiations concerning international economic and social welfare in general and the administration of dependent territories in particular.

Although the earlier Bretton Woods Conference had been used by Australia as a forum to press its full employment proposals, it was primarily called to consider international monetary issues, and agreement was reached for the creation of the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD or World Bank). The first of the purposes listed in the draft articles of agreement of the IBRD was

To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries.¹

On earlier occasions the Australian Government had approached other aspects of international economic collaboration with

considerable enthusiasm, but less interest was shown in the Bretton Woods negotiations and Australia's response to the formation of the IBRD was very subdued. The purposes of the proposed Bank were regarded in Canberra and within the Labor Party as far less important than the functions of its sister institution, the IMF, and it was membership of the Fund which caused the major controversy. As a consequence of the division which appeared in Labor Party ranks, the Government was not able to seek parliamentary approval for Australian membership of either the IMF or the IBRD until March 1947.

J.B. Chifley, by then Prime Minister as well as Treasurer, opened the Second Reading debate on the 'International Monetary Agreements Bill 1947' by describing the international framework within which the IMF and the IBRD existed:

These institutions form part of the general structure for peace, security and welfare in the post-war world in the building of which Australia has taken a most active part, and towards which the Minister for External Affairs (Dr Evatt) has made no small contribution. The United Nations is the apex of this structure, but, recognizing that economic welfare is a fundamental basis for peace and security, there has been developed within and around the United Nations special machinery for world economic collaboration. The broad object of this machinery is to promote throughout the world expanded production, employment, trade and higher standards of living all round.

Within that framework, the IBRD would have been seen to play an important role but neither Chifley nor other participants in the parliamentary debate chose to expand on World Bank objectives. The whole debate was dominated by issues involving the Monetary Fund; by then, only a handful of Labor Members still vociferously opposed Australian membership. Both the Government and the Opposition were agreed, with some qualifications, on the importance of the IMF; IBRD membership was accepted with little being raised either for or against

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1 For a detailed treatment of the Bretton Woods issue in Australia see Crisp, *Ben Chifley*, pp.198-212.
3 Ibid., pp.934-1004.
the proposal, apart from the question as to who would exercise control over Bank operations.

With few guidelines from the debate in the House, one falls back on the report of the Australian delegation to Bretton Woods for an understanding of Australian involvement in the World Bank. It was acknowledged in the report that the development of backward countries, by means of IBRD loans, was urgent for the creation of 'necessary conditions for a lasting peace in the Pacific' and for the promotion of world trade. In particular the delegation felt that Bank loans could be useful for Australia's post-war trade in the Far East.1

There were two further reasons for Australian membership of the World Bank. First, the IMF and the IBRD were founded as two complementary financial institutions.2 Moreover, Australian membership of both was effected simultaneously within the one Act of Parliament. Membership of the Monetary Fund, which Australians regarded as the more important body, carried with it an implicit obligation also to join the Bank. Second, the IBRD had been created largely on the initiative of the United States. In another sphere, United States support was vital to the international full employment proposals which Australia was pressing at that same time.3 Australian support for American monetary proposals, especially the IBRD, was a necessary quid pro quo for maximum American co-operation with Australia in its pursuit of international full employment.

It seems clear that Australian interest in the newly formed International Bank for Reconstruction and Development was only marginally affected by a desire on the part of the

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1 Bretton Woods: Australian Documents, p.9.
3 This was clear from many Government statements on its full employment proposals - see above p.16. Furthermore, Crisp has drawn attention to the necessary connection, in the view of the Australian Government, between United States acceptance of a draft full employment agreement and full Australian acceptance of the Bretton Woods agreement. - Ben Chifley, p.204.
Government to help advance the economic position of less-developed countries. Rather, the Government felt it was desirable, from an international monetary point of view, that Australia should participate in the newly formed Monetary Fund; that Bank membership was inextricably linked with membership of the IMF; that the IBRD could help create conditions for peace and expanded world trade; and that Australian support for the Bank would encourage United States support for Australian full employment proposals.

Institutions such as the UN Economic and Social Council and the IBRD embodied essentially long-term planning approaches to the 'freedom from want' objective and were complemented by the United Nations Relief and Rehabilitation Administration which co-ordinated the more immediate and short-term responses of governments to the needs of war-devastated areas. The Australian Government fully appreciated the short-term nature of UNRRA operations. When speaking on the United Nations Relief and Rehabilitation Bill to authorize the first $24 million contribution, Evatt said:

I wish to make it clear that the functions of UNRRA are confined to relief and rehabilitation. It is not intended, nor is it being equipped, to engage on long term tasks of international reconstruction...for the purpose of building up post-war peace and prosperity. None the less, to repair some of the greater ravages of war and to succour the distressed is an essential preliminary to more far reaching measures. We believe that these objectives of UNRRA can be carried out as a prelude to further co-operation between the nations in greater and more enduring tasks.1

The distinction between short-term relief and long-term reconstruction or development was emphasised at the Conference of the Far Eastern Committee of the Council of UNRRA held at Lapstone, New South Wales, in February 1945. The Conference did stipulate a development programme for some agricultural and industrial products which were of strategic importance, but generally the achievement of pre-war production levels was the stated objective.2

1 CPD, Vol. 179, 7 September 1944, p.590.
2 See Current Notes, Vol. 16, No. 2 (February - March 1945), pp.32, 33, 45, 46, 49.
Australia did not accord high priority to the provision of the wide range of relief goods requested by UNRRA from 1944 onwards. At different times during the first year of the Relief Administration's operation, Sir Owen Dixon, then an UNRRA Council Vice Chairman, Chifley, and Evatt, all expressed caution concerning UNRRA commitments. Evatt summed up the attitude of the Government in his speech on the United Nations Relief and Rehabilitation Bill:

...each request for relief supplies [would] have to be considered on its merits and measured against existing commitments such as the minimum Australian civilian consumption requirements, military requirements, reciprocal lend-lease supplies and export demands, particularly to the United Kingdom.

There were obvious shortages, of both resources and manpower, which created 'great difficulties' for the South-west Pacific Area Office of UNRRA. In spite of Evatt's initiative in having the Area Office located in Sydney, the public service was not always co-operative and was even disinclined to allocate office space and other facilities. At times Departments refused to provide urgently needed relief supplies, and in the opinion of UNRRA officials, provided inadequate justification for these refusals. It would be unrealistic, given the circumstances, to expect all UNRRA operations to have been smooth, but it is clear that other calls on Australian resources were given preferential treatment over UNRRA requirements.

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1 At that time Sir Owen Dixon was Australian Minister in Washington.
2 In 1944 Chifley was holding both the Treasury and Post-War Reconstruction portfolios.
3 See the text of Dixon's broadcast to Australia in Current Notes, Vol.14, No. 10 (December 1943), pp.358-9; see Chifley's Budget Speech, CPD, Vol.179, 7 September 1944, p.575; and see Evatt's speech on the UNRRA Bill, Ibid., p.587. Attention was drawn to these expressions of Australian caution concerning UNRRA in Pyke, 'Australia's UNRRA Contribution', pp.72-75.
4 CPD, Vol.179, 7 September 1944, p.587.
5 G.C. Remington, 'The Commonsense of Australian Support for UNRRA', Australian Quarterly, Vol.18, No. 2 (June 1946) pp.59, 62. Remington was Chief Administrative Officer of the South-west Pacific Area Office from its inception and Acting Director from July 1945.
6 Ibid., pp.60-2; Pyke, 'Australia's UNRRA Contribution', p.78.
7 See also 'Australia's Contribution to UNRRA', Current Notes, Vol.17, No. 2 (February 1946), p.86.
Australia's overall involvement in UNRRA was substantial. Two commitments, each of $24 million,\(^1\) were made in 1944 and 1946, by which time the nation ranked fourth among members even though it had pledged only just over 2% of total contributions.\(^2\) Australian goods to the value of almost $46 million were transported to war-devastated areas, and some 250 Australians served with UNRRA overseas in a variety of capacities, their salaries being paid out of general UNRRA funds.\(^3\)

Nor were UNRRA activities promoted only through government channels. At the suggestion of the Administration's head office in Washington, Evatt initiated the formation of the Australian Council for UNRRA\(^4\) in early 1944. This Council co-ordinated the work of some thirty-three voluntary relief organisations and provided assistance to the Government in carrying out its UNRRA obligations.\(^5\) As a result of public appeals the Council forwarded over $3 million worth of goods, mostly clothing.\(^6\)

Consequently, many Australians participated in UNRRA relief work and became aware of the needs of people beyond Australian shores. Such involvement must have had its effect in moulding general attitudes towards foreign aid programmes that were to come.

During the latter half of the 1940s, little attention was given in Parliament to the effectiveness or otherwise of the UNRRA relief measures undertaken by Australia, except where aid to the Republic of China was concerned. The UNRRA

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\(^1\) This figure was based on 1% of the national income for the year ending 30 June 1943 - an UNRRA formula.


\(^3\) Pyke, 'Australia's UNRRA Contribution', pp.79, 81.


\(^5\) *Current Notes*, Vol. 15, No. 5 (June 1944), pp.118-22.

\(^6\) See p.26, fn.2, below.
programme in China was heavily criticised, internationally and within Australia, because of the alleged corruption, 'racketeering' and general mal-administration involved.  

As China was 'the largest single recipient of Australian UNRRA aid', both official and voluntary, criticism of the China programme may have adversely affected Australian


A number of conflicting sources have been discovered for the amounts of official Australian aid to China and the total and destination of the voluntarily collected relief supplies. These discrepancies are tabulated below:

**Australian Relief Assistance**

<table>
<thead>
<tr>
<th>Source</th>
<th>Official Aid to China: #A</th>
<th>Voluntary Relief Assistance Total: #A</th>
<th>Destination</th>
</tr>
</thead>
<tbody>
<tr>
<td>Woodbridge</td>
<td>-</td>
<td>1,510,623</td>
<td>-</td>
</tr>
<tr>
<td>Albinski</td>
<td>6,563,000</td>
<td>5,000,000</td>
<td>All to China</td>
</tr>
<tr>
<td></td>
<td>(error in use of Woodbridge source)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pyke</td>
<td>over 7,000,000</td>
<td>1,554,190</td>
<td>-</td>
</tr>
<tr>
<td>Evatt</td>
<td>6,563,000 (including major items only)</td>
<td>2,510,265</td>
<td>China largest single recipient</td>
</tr>
</tbody>
</table>

Note: Annual average of the official exchange rate for both 1945 and 1946 was #A1 = #US 3.198 - American International Investment Co-operation, *World Currency Charts* (San Francisco, 1972). This is opposed to Albinski's rate of #A1 = #US2.24 for which no source is given.

Pyke, 'Australia's UNRRA Contribution', pp.79-80.

This suggests that the official Australian contribution of UNRRA supplies to China was of the order of #A 7 million, i.e. $14 million; that the value of the voluntary aid could have been between #A 1.5 million and #A 2.5 million, i.e., between $3 million and $5 million; and that China was the largest single recipient of the voluntary supplies collected.
attitudes towards relief measures. However it appears that it was not the general relief programme but the Chinese administration of UNRRA aid which was the subject of attack. After criticising UNRRA aid to China, one Labor Member of Parliament asked how such mal-administration could be avoided when post-UNRRA programmes to China and the Far East were undertaken, but the assumption, that relief measures in some form were necessary, was not questioned.\(^1\) On a later occasion, in answer to another question on UNRRA aid to China, the Prime Minister attempted to separate the problem of China from the total UNRRA programme.\(^2\) The lack of opposition in Parliament to UNRRA, or to post-UNRRA programmes in general, suggests that the Government successfully prevented the issue of corruption and mis-use of relief supplies to China from adversely affecting attitudes on UNRRA as a whole.\(^3\) Bipartisan support for the principle of relief and rehabilitation assistance still existed.\(^4\)

On the international level, UNRRA operations were always intended to be of limited duration but it was apparent by mid 1946 that the Administration was going to be terminated before the demands on it from Europe and the Far East could be met.\(^5\) In August 1945, the UNRRA Council had indicated that it expected the shipment of relief supplies to Europe to end by December 1946 and to the Far East by March 1947.\(^6\) These

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1 \(\text{CPD, Vol.191, 14 May 1947, p.2314. In the debate involving, among other war expenses, the $8 million appropriation for post-UNRRA relief, this assumption was not questioned either. Rather, that debate was notable for the minimal attention given to relief measures - CPD, Vol.192, 27 May 1947, pp.2905-22.}\)

2 \(\text{CPD, Vol.198, 9 September 1948, p.334. See also Albinski, Australian Policies, p.8.}\)

3 \(\text{Australia's UNRRA experience in China instead contributed to the growth of unfavourable attitudes towards the Chinese Nationalists. See Albinski, Australian Policies, pp.5-8.}\)

4 \(\text{Albinski indicated that bipartisan support was forthcoming when the UNRRA implementing legislation was introduced in 1944 - Ibid., p.5.}\)

5 \(\text{Current Notes, Vol.17, No.7 (July 1946), p.396.}\)

6 \(\text{Ibid.}\)
terminal dates had been advocated by the American representative during discussions on the second UNRRA contribution. The Council recognised that the American Congress was becoming increasingly reluctant to authorize funds for UNRRA. At the same time, the Council was aware that even the minimal demands on the Administration could not be met without a second commitment of American funds. These were the circumstances under which the expected termination dates were laid down in 1945. During the next twelve months, the United States position hardened even further and America was adamant, at the August 1946 Council meeting, that the Council should not recommend a third contribution. That sealed the fate of the Relief and Rehabilitation Administration.

The United States was determined that the channelling of relief through the multilateral UNRRA organisation, based as it was on rapidly crumbling war-time alliances, should be discontinued. Towards the end of 1946, the Americans came to emphasise that relief assistance should be provided bilaterally, and that was a feature of the proposal by President Truman, in February 1947, that the United States should provide post-UNRRA relief direct to Austria, Greece, Hungary, Italy, Poland, Trieste and China.

The American shift from multilateral to bilateral forms of relief and rehabilitation assistance, for purposes of control, strongly influenced and limited the scope of those institutions given the responsibility of carrying on the unfinished work of UNRRA. At its Fifth Session in August 1946, the UNRRA Council adopted two lines of action. First, particular problems of health, child care, education and refugees were to be referred to specialised United Nations


4 Ibid., p.112.
agencies. Second,

Apart from these attempts to meet special relief problems it was agreed that members of the United Nations should endeavour to meet the general needs of war-devastated countries by means of bilateral grants. In giving this assistance the services of the United Nations Secretariat were to be made available for advice on the extent and type of relief assistance required, and, on the conclusion of bilateral relief agreements.¹

So far, this second line of action was in accordance with the United States policy shift towards bilateralism. In addition, however, the Council attempted to initiate an alternative multilateral approach under United Nations auspices, and referred the need for relief assistance to the United Nations General Assembly. Within the Assembly, it was proposed that the United Nations should establish an Emergency Food Fund of some $US 400 million to $US 500 million for continuing relief.² The United States, the United Kingdom and Canada were all strongly opposed to the establishment of multilateral relief machinery.³ These three nations were determined, in future, to control and supervise their own allocations of relief funds. Thus the Assembly was limited to gathering and disseminating information for co-ordination purposes, and to recommending, as had the UNRRA Council, bilateral arrangements for relief.⁴ With the help of Britain and Canada in particular, the post-war American policy of providing relief assistance mainly on a bilateral basis had gained the ascendancy in international circles. Multilateral schemes for relief and rehabilitation could not withstand the increasing hostility and division between the war-time allies.

¹ Current Notes, Vol.19, No.2 (February 1948), p.82.
² Current Notes, Vol.17, No.11 (November 1946), p.688. This scheme was similar to a proposal submitted to the Second Session of the Food and Agriculture Organization (FAO) in September to deal with urgent food problems. On that occasion, it soon became plain 'that governments were not prepared to accept proposals so revolutionary, [and] involving such a powerful organization...' Current Notes, Vol.18, No.4 (April 1947), p.280.
⁴ Ibid., pp.786-7.
By 1947 Australia had accepted the realities of the international situation regarding relief measures. As Evatt explained, 'the two largest contributors to UNRRA, the United States of America and the United Kingdom, were determined that the method of giving relief to UNRRA should be terminated', and for that reason, he said, proposals were now appearing for the granting of direct bilateral relief aid.\(^1\) Even so, the Government did not appear enthusiastic about the change to a bilateral emphasis. When the Food Fund was under attack in the General Assembly committee sessions at the end of 1946, the Australian representative was reported as having said, rather equivocally, 'that Australia was not convinced that bilateral relief would be unsatisfactory.'\(^2\) Nevertheless, Australia did little to develop a bilateral relief assistance programme of its own and instead focused its relief effort on the various multilateral institutions which were mainly associated with the United Nations.

At the time of the San Francisco conference, the Australian Government, and the Minister for External Affairs in particular, had held out high hopes for United Nations' potential in the field of post-war economic relief and reconstruction. Gradually, however, these hopes were dissipated. FAO and General Assembly reactions to the two proposals which needed heavy financing (the World Food Board and the Emergency Food Fund) were indications of the limitations likely to be placed on United Nations commissions and agencies. Moreover, during 1947, the major supplier of relief assistance, the United States, began to take action outside the United Nations to provide bilateral economic aid to Greece, Turkey and other European countries, as well as to China - action which came to be seen as a precursor of the multi-billion dollar Marshall Plan for European recovery.\(^3\)

The major thrust of post-UNRRA international economic

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3. See Brown and Opie, American Foreign Assistance, pp.112-3, 123-141.
assistance was by-passing the United Nations. In the light of these developments, Evatt, in late 1947, made a long and critical statement before the Economic and Financial Committee of the General Assembly indicating that he was under no misapprehensions concerning the complete inadequacy of the economic work so far of the United Nations and of the Economic and Social Council in particular. However, buoyed up by what he regarded as the successes of the United Nations Economic Commission for Europe, Evatt believed that the regional bodies would be able to make a more effective contribution to the solution of world economic problems than had the Economic and Social Council. In July 1948, while speaking on the Economic Commission for Asia and the Far East (ECAFE) before the Council, he indicated that if preparatory work on industrial development in the region were properly carried out,

...the next session of the Commission should have before it a real programme of work, expressed not just in generalities to which nations can assent without any real commitment, but in actual figures representing estimates of needs for real goods - levels of production, and imports of specified capital equipment and raw materials. ...It will be the responsibility of [the more highly industrialised] countries to examine the figures thus prepared, and to indicate to what extent and under what conditions they can fulfil the needs thus demonstrated. ...It will be necessary for the Commission to indicate priorities, so that the most urgent needs can be satisfied first. I have already referred to the immensity of the task. It will take time to produce the vast quantities of capital equipment needed, and to train large numbers of skilled men.

Evatt left little doubt as to the broad scope, in his view, of ECAFE functions.

The Commission, however, was not to be provided with the resources required to undertake the tasks Evatt envisaged. At the Fourth Session of ECAFE, held in Australia in November-December 1948, both the United States and the World Bank gave

1 Current Notes, Vol.18, No.9 (October 1947), pp.625-30. See also Evatt’s earlier speech before the General Assembly.- Current Notes, Vol.18, No.8 (September 1947), p.550.
2 Current Notes, Vol.19, No.9 (September 1948), p.597.
definite indications that there would be no 'Marshall Fund' for Asia. The then Director-General of the Australian Department of Post-War Reconstruction, L.F. Crisp, recorded the following observation just a few months later:

Delegates to ECAFE have long since become resigned to the interference of politics with the smooth discharge of their essentially economic functions. The ferment of Asian nationalism, the reassertion of Western imperialism, no less than the strategy of Soviet ideological and power politics made such interference inevitable. ... The Fourth Session did not escape the political blight.

Although there was a 'comparative absence of Soviet obstruction at Lapstone' it was evident that within ECAFE, as during the later stages of UNRRA operations, international political conflicts precluded the development of large-scale multilateral economic assistance programmes. ECAFE functions were restricted to gathering and disseminating information in association with only a small programme of technical assistance.

From 1947 to 1949, the limitations of the multilateral approach became more and more obvious but, even so, Australia continued to work mainly through the emasculated United Nations channels for relief assistance, largely because of the commitment of the Minister for External Affairs to the United Nations organisation. Up to the 1949/50 financial year, Australian relief assistance, amounting to some $60 million, was provided predominantly through UNRRA and post-UNRRA programmes, the United Nations International Children's Emergency Fund (UNICEF), the International Refugee Organisation (IRO), the United Nations Educational, Scientific and Cultural Organisation (UNESCO), and the United Nations Relief and Works

2 Ibid., p.85.
3 Ibid.
4 Evatt was President of the General Assembly during the 1948/49 session.
Agency for Palestine Refugees (UNRWA).\(^1\) Only in a very minor way did Australia begin to develop relief and educational assistance programmes of its own in South-east Asia. Moreover, these were less the outcome of its internationally oriented economic welfare policies and more the result of Australia's developing, throughout the forties, the Asian and Pacific dimension of its overall foreign policy.

**Australia within the Asian-Pacific region**

Throughout the 1940s Australia demonstrated its intention of playing a greater role in Asia and the Pacific. With the Japanese movement southwards in 1941, Australia's immediate neighbourhood became of vital importance for its military security. The nation's experience in the Pacific war stimulated the early development of its diplomatic service and contributed towards the shift in focus of its foreign policy from Europe and the Middle East to Asia and the Pacific.\(^2\)

By April 1943, the position of the Allies in the Pacific theatre had improved sufficiently for Evatt to begin to turn his attention to post-war issues. In his speech in New York, on 'The Future Peace and Stability of the Pacific',\(^3\) he outlined, among other things, the implications of the Atlantic Charter for the Asian and Pacific regions,\(^4\) and focused

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1 For the annual contributions to these organisations see Appendix 1, Table II below.


3 This was the address Evatt delivered to the Overseas Press Club in New York on 28 April 1943 - already referred to above at p.15. This address was regarded by Levi as a significant milestone in the development of Australia's foreign policy - Ibid., pp.62-3.

4 In response to comments he had received while in the United States concerning the possibility of a Pacific Charter, Evatt previously had made passing reference to the applicability of the Atlantic Charter to the Asian and Pacific regions - *CPD*, Vol.172, 3 September 1942, pp.82-3. However, he did not elaborate as fully on the implications of the Charter for those regions as he did in this April 1943 address. See also Evatt's press statement, New York, 19 April 1943, *Current Notes*, Vol.14, No.6 (June 1943), pp.214-5.
attention on the three issues, security, economic justice, and colonial trusteeship. In the Pacific, security initially would require the disarming of Japan, and ultimately would come to depend on the establishment of an effective universal security system which could be organised both internationally and regionally. Evatt continued:

In this respect Australia will naturally regard as of crucial importance to its own security the arc of islands lying to the north and north-east of our continent. ... Australia will ... be vitally concerned as to who shall live in, develop, and control these areas so vital to her security from aggression.¹

Evatt then made a direct connection between security and economic justice when he said, 'No world or regional system of security, however, can be permanent unless it has an adequate basis in economic justice.'² Having already indicated that the Pacific region contains many small and weak states and territories which 'are the source of many basic raw materials much sought after by the largely industrialized countries of the world,'³ he asserted:

If freedom from want means anything it means decent standards of living for all peoples and the end of any possibility of unfair exploitation of weak peoples by those who are stronger and economically more fully developed.⁴

Evatt only discussed the question of economic justice for the Pacific countries at the level of generalities as he considered it 'a problem which differs in character and method of solution from country to country.'⁵

¹ Evatt, *Foreign Policy of Australia*, p.116. Evatt later indicated that this 'arc of islands' included the Netherlands East Indies, Timor, the Territories of Papua and New Guinea, the Solomon Islands, New Caledonia and the New Hebrides - CPD, Vol.176, 14 October 1943, pp.572-4.
² Ibid., p.116.
³ Ibid., p.114.
⁴ Ibid., p.117.
⁵ Ibid.
Colonial trusteeship, as Evatt portrayed it in New York, was a concept which drew together both security and economic development issues so far as colonies were concerned. And he regarded the problem of colonies as being 'a special case of the problem of under-developed areas.' As well as raising the political question of the post-war control of specific colonies, Evatt expressed the Australian view that while political aspects of development (preparation for colonial self-government) had been emphasised in the past, now emphasis should also be placed upon the economic development of colonies. These three issues of security, economic justice and colonial trusteeship, to varying degrees, were to be particularly significant in the formulation of Australian colonial policy in the 1940s and foreign aid policy as it began to develop around 1948.

Underlying Evatt's New York address was the assumption (which Evatt shared with Curtin) that Australia had the right to pronounce on Pacific issues because of its importance in the region. As he said then,

The two British democracies in the Pacific - Australia and New Zealand - are the trustees of democratic civilization in the South Pacific. ... [However] it has needed the war to force upon the Australian people the full consciousness of the fact that their responsibility and their rights are primarily those of a key Pacific nation.

This had been the basis of all Australian efforts to be heard in Allied councils concerning the prosecution of the Pacific war, and now was the basis of Australian action in relation to the post-war situation. Australia's status in the Pacific was made considerably more explicit in Evatt's Ministerial Statement to the House of 14 October 1943:

...Because of our special geographical position and our growing responsibility and power, we can and should make a very special contribution towards the establishment and maintenance of the peace.

1 Ibid., p.117.
2 Ibid.
4 Evatt, Foreign Policy of Australia, pp.113-4.
settlement in South-east Asia and the Pacific.

... All these adjacent islands, [the Solomons, the New Hebrides, New Caledonia, Timor and the Netherlands East Indies] together with Australia and New Zealand, form a great zone of mutual interest.

... I visualize New Guinea, both Australian and Dutch, as an integral part of the Pacific zone with which Australia will be vitally interested in collaboration with Britain and New Zealand on the one hand and with the Dutch, French and Portuguese on the other.

... As a further contribution towards a better understanding of common problems and points of view, I propose to take steps to obtain a frank exchange of views between properly accredited representatives of the various governments interested in the South-west Pacific.

... As members of the British Commonwealth of Nations and as the two largest European communities in the Western Pacific, Australia and New Zealand are destined to discharge heavy responsibilities in that area. Today their joint power is very great. It should remain commensurate with their new responsibilities. I regard permanent collaboration between Australia and New Zealand as pivotal to a sound post-war Pacific policy.1

Australia attached considerable importance to participation in the post-war settlements and involvement with future developments in its region. And in this statement, Evatt foreshadowed the agreement reached between Australia and New Zealand just three months later.

In order to bring about closer collaboration on Pacific affairs, Evatt moved almost immediately to arrange for an exchange of views between Australian and New Zealand Ministers.2 His efforts gained considerable impetus when it was discovered, after the event, that Churchill, Roosevelt and Chiang Kai-shek had met at Cairo from 22-26 November 1943 and had decided on the disposition of Japanese conquests in Asia and the Pacific.3 Despite Australian efforts, it appeared as though the post-war settlements in the Pacific were to be determined exclusively by the Great Powers.

1 CPD, Vol.176, 14 October 1943, pp.572-5.
3 Watt, Australian Foreign Policy, p.73. See also Hasluck, The Government and the People 1942-1945, p.482.
The Australian-New Zealand Agreement, which resulted from the conference in Canberra from 17-21 January 1944, therefore represented a specific attempt to establish a firmer post-war 'foothold'\(^1\) in the region and lay down the basis for a regional security arrangement. The Agreement incorporated many aspects of the foreign policy of the two nations. It specified their joint approach to closer co-operation, to the post-war settlements, to security and defence (with the vital 'arc of islands' now extended to Western Samoa and the Cook Islands), to civil aviation, Pacific territories, native welfare and advancement, migration, and to an international conference of governments with interests in the South and South-west Pacific area.\(^2\) Despite the wide range of the subject matter, the major thrust of the Agreement involved armistice and post-war security arrangements,\(^3\) and native welfare and advancement was a relatively minor area of concern.

In that section of the Agreement headed 'Welfare and Advancement of Native Peoples of the Pacific', little was added to existing Australian policy on trusteeship, welfare, and 'social, economic and political development', but a detailed proposal for an advisory South Seas Regional Commission was included. It was agreed that the function of the proposed Commission would be

\[...\text{to secure a common policy [among the colonial powers] on social, economic and political development directed towards the advancement and}\]

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1 George, 'Australian Attitudes', p.37. For a detailed analysis of Australian efforts to gain a foothold in the Netherlands East Indies at that time see Ibid., pp.30-38. Hasluck also records an Australian suggestion at the Canberra conference concerning Australia's administration of the British Solomon Islands and the New Hebrides - The Government and the People 1942-1945, p.482.


The idea of collaboration between colonial powers over welfare and development in the South Pacific also was carried over into the South-east Asian region. At the May 1944 Commonwealth Prime Ministers Conference in London, during discussions on colonial questions, Curtin indicated that Australia envisaged two regional colonial commissions, one including South-east Asian colonies and the Netherlands East Indies, the other being the South Seas Regional Commission as proposed in the Australian-New Zealand Agreement. The establishment of the former commission, however, was not pursued and the Netherlands East Indies came to be included within the South Seas proposal.

Progress towards the formation of the South Seas Regional Commission was slow despite refinements of the proposal which emerged from the Australian-New Zealand Ministerial meetings held in Wellington during November 1944. Co-operation with the British Government over the proposed Commission was adversely affected by the sharp British reaction to the stronger position on international supervision of trusteeship arrangements also developed at Wellington.

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1 Kay, The Australian-New Zealand Agreement 1944, p.145. This Commission should not be confused with the proposed international conference of governments with interests in the area - a conference which basically involved the same governments as would be concerned with the Commission and which, it was also intended, would result in an exchange of views on 'post-war development and native welfare' as well as security. (Ibid., pp.145-6). It was this international conference which Evatt was considering in October 1943 (see quotation on p.36, above), and to which the Americans were so opposed (see Kay, The Australian-New Zealand Agreement 1944, pp.265-6, 277, 278; and Hasluck, The Government and the People 1942-1945, p.486). That international conference was never held - Ibid., pp. 498, 499, fn.1.

2 Ibid., p.489.

3 T.R. Smith, South Pacific Commission (Wellington, 1972), p.44.

4 Ibid. For the British reaction to the Wellington decisions on trusteeship see also Hasluck, Government and the People 1942-1945, pp.496-8.
Furthermore, during 1945, the Commission proposal lay dormant as international conferences associated with the formation of the United Nations organisation occupied the attention of both the Australian and New Zealand Governments. It was not until early 1946 that the proposal was taken up.

At the Commonwealth Prime Ministers Conference in London during April-May 1946, Australia was prompted into action by a United Kingdom proposal that a South-east Asia Commission be established. The attention of the conference was drawn to the South Seas Regional Commission as provided for in the January 1944 Agreement and Australia and New Zealand agreed, so long as they had the support of the United Kingdom, to proceed with its establishment. Although it was decided at London that both the South-east Asian and South Seas proposals should be examined in detail by officials, the former was not pursued, most probably because of the fluid political situation in India, Burma, the Netherlands East Indies and French Indo-China.

The formation of the latter Commission did proceed throughout 1946, and on 6 February 1947, at the conclusion of the South Seas Commission Conference in Canberra, representatives of the six metropolitan governments - Australia, New Zealand, France, the Netherlands, the United Kingdom, and the United States of America - were able to sign the agreement establishing the South Pacific Commission. It was laid down that:

The Commission shall be a consultative and advisory body to the participating Governments in matters affecting the economic and social development of the non-self-governing

1 Smith, South Pacific Commission, p.44.
3 For a detailed history of the origins of the South Pacific Commission see Smith, South Pacific Commission, pp.28-52.
territories within the scope of the Commission and the welfare and advancement of their peoples.\textsuperscript{1}

In carrying out these purposes the Commission was given powers of research and recommendation, was able to provide technical assistance, and was given authority to develop international co-operation in the region.\textsuperscript{2}

Even so, the powers of the Commission were circumscribed. It was not vested with power to review colonial administrations, as Australia and New Zealand had envisaged in January 1944.\textsuperscript{3} The financial resources of the organisation were quite limited considering the levels of expenditure which the participating Governments were prepared to undertake.\textsuperscript{4} Consequently, unlike other international organisations for relief, welfare or development, such as UNRRA or the World Bank, it was not to be a source of capital assistance for territories in the Pacific.

Nevertheless, within the limits of its finances, it was to become a significant source of technical assistance in the region. In this regard, the South Pacific Commission preceded the worldwide emphasis on the importance of technical assistance which was triggered off by Truman's Point IV proposal, some two years later.\textsuperscript{5}

As a result of the war, Australia had become involved in the South West Pacific area (including the Netherlands East Indies) to a greater extent than in Asia. However, the various post-war independence movements in that region stimulated Australia's interest in South and South-east Asia.

A significant element in the formulation of Australian

\begin{itemize}
  \item \textsuperscript{1} 'Agreement establishing the South Pacific Commission', Article IV, clause 6 in Ibid., p.222.
  \item \textsuperscript{2} Ibid., pp.222-3.
  \item \textsuperscript{3} Ibid., p.53.
  \item \textsuperscript{4} Ibid., pp.200-1.
  \item \textsuperscript{5} I am indebted to Mr W.D. Forsyth for drawing my attention to this aspect of the South Pacific Commission Agreement.
\end{itemize}
foreign policy towards South and South-east Asia was the continuing importance, in the opinion of the Labor Government, of Australia's close connection with Britain and the Commonwealth.1 This was an opinion which Evatt expressed at least as early as May 1944,2 which he touched on in October 1944 in a Pacific context,3 and which he reiterated on returning from San Francisco, in July 1945, when he said:

Australia ... is in a very real sense a trustee of British and of Western civilization in this part of the world."4

One of the assumptions underlying Evatt's policy in the Pacific was that Australia should undertake certain regional responsibilities for the British Commonwealth as a whole, or for individual members of the Commonwealth.5 The importance of the British connection was also evident in Evatt's press statement, of February 1947, in response to Prime Minister Attlee's announcement that Britain would leave India by June 1948. Among other things, Evatt said:

Whatever betides it is essential that Australia should maintain and strengthen its present close ties of friendship with the Indian people ... We are still the trustees for British democracy in this vast region.... In the struggle for a just, democratic and lasting peace ... we shall stand side by side not only with Britain but with India.6

Evatt was also aware that Britain was preparing for the early granting of self-government to Burma. A few days later he referred in the House to developments in India and Burma, then said:

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1 Reese, Australia, New Zealand and the United States, pp.78-79.
2 From Evatt's Empire Day speech, 23 May 1944 (typescript), Evatt Collection (Flinders University), in file titled 'Evatt Statements on Foreign Policy 1940-49'.
3 See quotation, p.36 , above.
4 Current Notes, Vol.16, No.6 (August-September 1945), p.178.
5 Watt, Australian Foreign Policy, p.103.
6 Current Notes, Vol.18, No.2 (February 1947), p.133.
As Britain relinquishes its special responsibilities in those areas, the degree of Australia's initiative and responsibility must be substantially increased.¹

In that same speech Evatt took the opportunity to make a more general statement on the Government's attitude towards independence movements in South-east Asia:

Australia is directly concerned with these political developments [in India, Burma, Indonesia, French Indo-China and the Philippines] and their consequences. Just so far as the peoples of South-East Asia cease to be dependent upon the decisions of European Governments, so far do Australia's interests in the councils of South-East Asia increase. We must work for a harmonious association of democratic states in the South-East Asia area, and see in the development of their political maturity opportunity for greatly increased political, cultural and commercial co-operation.²

To provide concrete form for the new relationships envisaged, Evatt advocated the formation of an 'appropriate regional instrumentality' in the South-east Asian and Western Pacific region.³ That proposed instrumentality, with functions similar to those of the newly formed South Pacific Commission, may have stemmed from the South-east Asia Commission proposal which the United Kingdom put forward just ten months earlier at the Commonwealth Prime Minister's Conference.⁴ Evatt was no more successful than the United Kingdom in bringing about, at that time, a new regional organisation concerned with the problems of development in South-east Asia.⁵

² Ibid., p.164. Evatt elaborated on the commercial objective by detailing post-war developments in Australian exports to the region, and indicated it was in Australia's interests to help ensure improved living standards so that the demand for Australian exports would expand. - Ibid., p.166.
³ Ibid.
⁴ See above, p.39.
⁵ In March 1947 and April 1948 the Australian Government, in official discussions with the Dutch, did broach the question of a regional commission in South-east Asia, but Australia's relations with the Dutch over the Netherlands East Indies were not conducive to this question being taken up. - George, 'Australian Attitudes and Policies', pp.138, 205.
Although Australia's scheme for regional development assistance did not materialise, bilateral 'development assistance' came to be seen in Australia as a minor but useful instrument for achieving the broader foreign policy objectives Evatt had spelled out in his February statement on independence movements in South-east Asia.

The potential of bilateral economic aid as a specific diplomatic instrument was first acknowledged in Australian policy towards the Netherlands East Indies. Australian involvement in the affairs of its closest neighbour during the late 'forties was very much the result of Australian security considerations. In mid 1947 it appeared to Australia that both Britain and America were dominating, to Australia's disadvantage, diplomatic efforts to help resolve a Dutch-Indonesian impasse. Within a broad proposal, the United States had included an offer of financial aid to the interim government which was to be formed in the East Indies.¹ In response, Australia offered 'advice and [material] assistance in such matters as trade, finance, communications, and economic rehabilitation and development'² at the same time as it offered to act in a mediatory role. Australia's approach met with a rebuff from the Dutch, but the offer of material assistance, made at a time when American foreign aid was coming to be regarded as a foreign policy instrument in the emerging cold war,³ indicated that the Australian Government had recognised the political value of economic assistance.

The specific offer of aid to Indonesia was followed some six months later by an announcement by Chifley that, on Evatt's recommendation, Cabinet had decided to provide

¹ Ibid., p.157.
³ See Brown and Opie, American Foreign Assistance, pp.124-5.
'further practical evidence of ... goodwill' towards India, Pakistan, Burma, Malaya, Ceylon, Singapore, the Philippines and Indonesia. It had decided to provide three university scholarships at a total cost of $10,000. By May 1948 the assistance had been enlarged to include relief supplies, and the scholarships were described as being part of the worldwide UNESCO programme. W. Macmahon Ball, formerly Australian Political Representative at Batavia in late 1945, was to lead an Australian Mission to South-east Asia to select students and ascertain the need for relief supplies. However the generation of goodwill was much closer to the intentions of the Government on that occasion than was the provision of educational aid and appropriate relief supplies. The number of scholarships offered was inconsequential in terms of South-east Asian educational needs, and the relief supplies made available included school stationery, canned food and woollen materials, all of which were surplus at that time. Beneath the aid facade, Ball's function was to make a political assessment of developments in the region, to meet up-and-coming leaders, and to assure nationalist leaders of Australian interest. The foreign aid aspect of the mission was subsidiary to the desire on Evatt's part to make political contacts in the region.

A significant feature of the Ball Mission was the hostile reception it received in a number of the capitals visited, as a result of A.A. Calwell's recent harsh application of the 'White Australia' immigration policy.

1 Current Notes, Vol.19, No.2 (February 1948), p.90.
2 George, 'Australian Attitudes and Policies', p.75, fn.6 and p.210, fn.3. Ball also had been Australian Minister, and British Commonwealth Member of the Allied Council, in Japan during 1946-7.
3 Evatt, Statement on 'Mission to South-East Asia', 16 May 1948, Current Notes, Vol.19, No.6 (June 1948), p.354.
4 Some indication of the role of the Ball Mission in South-east Asia can be gained from the details of the visit to Indonesia to be found in George,'Australian Attitudes and Policies', pp.210,215-6.
5 This assessment of the Mission and some of the details were provided by Professor W. Macmahon Ball, Interview, Melbourne, 4 August 1971.
6 Interview with Professor Macmahon Ball; also see Evatt's comment on criticism in Malaya - CPD, Vol.197, 17 June 1948, p.2123.
Later expanded programmes of Asian student training in Australia may have been designed partly to moderate the continuing dichotomy in Australian foreign policy raised by the 'White Australia' policy and Australia's attempts to generate goodwill in Asian countries.¹

Although the Labor Government was sympathetic to the cause of nationalism throughout Asia, increasing communist activity during 1948 in countries closer to Australia began to affect attitudes towards the region as a whole. While communist influence had been apparent in Indo-China and the Philippines since the war and was significant in Burma for a short period after independence in January 1948, communism in Malaya and the Netherlands East Indies was of greater concern to Australia. During 1948, communist inspired rebellion was on the upsurge in Malaya, and in June the Emergency Regulations were announced. Within the Netherlands East Indies, although the communist uprising of September at Medan had been swiftly put down, there were still Australian fears of communist activity. Furthermore, in China, the communists were rapidly extending their area of control.² In December, Chifley stated in the House that, in his view, communists exploited every situation of popular discontent. Their growing influence in China, he said, was particularly dangerous for peace in Asia.³ At the Prime Ministers Conference in London in April 1949, Chifley indicated that 'the primary object of British Commonwealth policy should be to create, in countries exposed to Communist influence, social conditions and living standards under which it would no longer

¹ This question is discussed in Chapter Three at pp.73-5.

² Albinski, Australian Policies, p.18.

be likely that Communism could flourish'.

Chifley's occasional expressions of concern about the growth of communism in Asia were followed by a more comprehensive interpretation of the Government's attitude which Evatt provided in a statement to Parliament in June 1949:

The general picture [in most of the countries to the north] is one of unrest and instability and as such is most disturbing to Australia. There has been a growing influence of Communism throughout the area and the tendency is to attribute the instability solely to that cause. Communism has played an important part, but the theory that it is the exclusive cause oversimplifies. It is true that all countries of South-East Asia have organised Communist movements whose objectives are the same as those of Communism everywhere, but the strength of these movements and the extent to which they are acting in unison is apt to be exaggerated.... Communists have identified themselves with nationalist movements ... [but the] fact is that the majority of genuine nationalists in most countries of South-east Asia are not Communists. These genuine nationalists, know well enough that they must look to established democracies in this part of the world, including Australia, for help in developing their industry and agriculture and improving the lot of their people and I think that in the great majority of cases they are trying to the best of their ability to see that no Communist movement takes control of the nationalist movement.

To this point, Evatt was particularly concerned to distinguish between 'genuine nationalists' and communists: later he focused more directly on communism:

... We see evidenced in South-east Asia and in China, that Communist political and social philosophy and ideology can never be combatted by force alone. It is necessary to adopt positive and constructive measures aimed at raising low standards of living everywhere, at getting rid of the wretched conditions of life which hundreds and even thousands of millions endure in the world, and at

1 Crisp, Ben Chifley, p.292.

2 In addition to those instances already cited, Chifley expressed similar views in an address to the ALP Federal Executive in Canberra on 11 May 1949. See the extracts quoted in George, 'Australian Attitudes and Policies', p. 284, fn. 1.

encouraging democratic self-government in accordance with the general principles of the [United Nations] Charter.¹

This newly enunciated strand of Australian foreign policy was to be taken up and emphasised by the Menzies Liberal Government which took office in December, and was at the basis of Australian proposals in January 1950, for a British Commonwealth plan to facilitate economic development in the South and South-east Asian region.

The dollar crisis of 1949 heightened British Commonwealth interest in economic development for the region. A special conference of Commonwealth Finance Ministers was held in London in July and, when the final communique was issued, Sir Stafford Cripps commented that interest in the less-developed countries of the Commonwealth was very much influenced by their dollar earning potential.² This was an issue which affected Australia no less than other Commonwealth countries. The Government had already taken action in 1948 to limit imports from dollar regions and further import restrictions were introduced in the 1949 Budget.³ The dollar crisis and economic development in South and South-east Asia had become closely linked.

In the final months of the Chifley Labor Government, the political situation in the region appeared critical when the Chinese Communist Central Peoples Government was established. Within a month, the British had called a conference in Singapore of United Kingdom officials - Government representatives, Colonial and Foreign Office officials and Service Chiefs from most countries of the region - to undertake a broad review of problems in the Far East and to consider British recognition of China.⁴ No further public details were provided of the Singapore discussions but reports of the subsequent meeting between United Kingdom, Australian and New

¹ Ibid., p.1224.
² Keesings Contemporary Archives, 30 July-6 August 1949, p.10147.
³ CPD, Vol.204, 7 September 1949, p.22.
⁴ The conference was held from 2-4 November 1949 - Keesing's 26 November - 3 December 1949, p.10375.
Zealand officials in Canberra a week later provide an indication of the issues which were urgent at that time. The informal conference in Canberra, called on Evatt's invitation, was given 'full reports' of the Singapore discussions and also considered 'the situation in Japan, China, Malaya, Burma, Indonesia and South-east Asia generally'. Among the subjects discussed in Canberra (and presumably at the preceding Singapore conference) were the co-ordination of British Commonwealth policy in the Pacific, recognition of the Chinese Communist Government, the Japanese peace treaty, and communist activity in South-east Asia, particularly in Malaya. With the continuing dollar shortage and the increasing communist threat in South-east Asia as the background to these discussions, it is most likely that both Britain and Australia, at the official if not the governmental level, were seriously considering regional schemes for military and economic co-operation.

Certainly in Australia's Department of External Affairs, it was expected that discussions between officers from different Departments and Australia's representatives abroad, which were to follow the Singapore and Canberra conferences, would:

lead to a further stage in the development of Australia's long term policy in relation to the whole Southeast Asian area. Already the Australian Government has introduced relief, scholarship schemes, and extended its representation. The objective of policy is maximum economic development, higher living standards and the orderly growth of political autonomy and democratic institutions throughout the area. This is regarded as the best means of establishing a firm basis for lasting

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1 'Pacific and South-east Asia - Conference of Officials at Canberra' - Official Statement, 10 November 1949, Current Notes, Vol.20, No. 11 (November 1949), p.1176. See also Keesing's, 26 November - 3 December 1949, p.10375.
3 For Labor Government initiatives earlier in 1949 with regard to a collective defence system in South-east Asia see Albinski, Australian Policies, pp.20-2.
friendly relations between Australia and the British Commonwealth nations and the countries of Southeast Asia. Australian commercial and strategic interests depend on the maintenance and extension of such friendly relations. Such relations are regarded as the best bulwark against any extremist or disruptive developments.¹

By late 1949, terms such as 'economic development', 'higher living standards', 'democratic institutions', 'friendly relations', 'commercial and strategic interests', and a 'bulwark against ... extremist ... developments', had become a normal part of the vocabulary of Australian foreign policy in relation to South and South-east Asia. Similar terms were soon to re-appear in the foreign aid policy statements of the first post-war Liberal Government which took office in December 1949.

... From the point of view of less-developed countries throughout the world, the Labor Government's full employment approach to international economic welfare was of little consequence. As a concomitant of that approach to international economic collaboration, however, Australia became actively involved, within the United Nations framework, with the formulation of policies which linked higher standards of living to economic development, particularly, but not only, in relation to dependent territories. In their formative years, the economic and social institutions of the United Nations were not regarded by Australia as effective, but it was in institutions such as these that Australia, in the late 'forties, still placed its hopes for increased international economic welfare.

As part of the war effort, Australia also threw its support behind the United Nations Relief and Rehabilitation Administration which had been established to meet the demands of war-devastated areas. Though UNRRA was oriented towards relief, and not towards the economic development of less industrialised nations, the distinction between these two objectives was not always clear, particularly in the later stages of UNRRA operations. Consequently Australia's experience in

¹ Current Notes, Vol. 20, No.11 (November 1949), p.1176
having the Government provide significant amounts of economic aid (for relief purposes) to other countries was gradually incorporated into its growing perception of the way in which economic development and higher standards of living in less-developed countries could be assisted.

The achievement of higher standards of living, however, was not regarded by the Australian Government as an isolated objective. Higher standards of living everywhere were also necessary for the expansion of trade and for the creation of a world order based on lasting peace and security.

Following its war-time experience, Australia came to be particularly concerned about its military security within the Pacific and Asian regions. Its attempts to gain a 'foothold' in the South-west Pacific led to the establishment of a regional colonial commission (the South Pacific Commission) but military and political issues were excluded from the Commission's sphere of competence and it was given only limited resources to come to grips with economic and social problems.

Within South-east Asia, six countries had gained their independence between 1946 and 1949 and considerable political instability was evident. Communism, which had become closely identified with nationalism, was regarded by the Labor Government as a non-democratic ideology which would flourish among impoverished people in South-east Asian countries. Instability in the region was considered a threat to Australian security, and the Labor Government, at the time of its defeat, was coming to recognise the importance of economic development to raise standards of living and help establish stable democratic institutions in the newly independent countries of the region.

This was the South-east Asian situation within which Australia's new Minister for External Affairs, Percy Spender, put forward his proposals for regional economic development at Colombo in January 1950.

1 Later Sir Percy Spender.
CHAPTER THREE

FOREIGN AID AS 'DEVELOPMENT ASSISTANCE' 1950 - 1964

The Liberal-Country Party coalition, under the leadership of R.G. Menzies, came to office in December 1949, and Spender was designated to succeed his bitter opponent, Evatt, as Minister for External Affairs. Within two weeks of his taking up the portfolio, Spender was on his way to the conference of British Commonwealth Foreign Ministers, held in Colombo.

Previous conferences of British Commonwealth Ministers had been held to discuss Japanese peace treaty terms and the dollar shortage of 1949, but this was the first at which the three new Asian members, India, Pakistan and Ceylon, were directly represented, the first to be held in an Asian capital, and the first called to discuss foreign affairs in general. Items were to include further issues surrounding the Japanese peace treaty, the Commonwealth monetary situation, recognition of the Peoples' Republic of China, economic aid to South and South-east Asia, and the need for a regional security pact. Questions of aid and security had become more urgent since the communists had come to power in China.

There was insufficient time before the conference for Spender to develop any major new departures from the foreign policy of the previous Labor Government. However, for many years, Spender had shown considerable interest in Asian affairs and Australian relations with countries in the region. He brought to his new portfolio a regional emphasis that was consistent with foreign policy as it had evolved under Labor during the 'forties. That emphasis had become all the more relevant because of growing instability in Asia, and because of the recent Asian shift in the membership of the British Commonwealth. Since Spender was determined to make Asia and the Pacific the primary focus of Australia's foreign relations effort, the already scheduled Colombo Conference was an ideal opportunity for concerted action.

2 Ibid., p.195.
Just before departure, Spender briefly commented upon the general direction of Australian foreign policy in relation to the forthcoming conference. First, with respect to the policy's regional orientation, he said:

Geographically Australia is next door to Asia and our destiny as a nation is irrevocably conditioned by what takes place in Asia. This means that our future to an ever-increasing degree depends upon the political stability of our Asian neighbours, upon the economic well being of Asian peoples and upon understanding and friendly relations between Australia and Asia.¹

Contrary to Spender's later reflection, this was not 'quite a new concept in Australian foreign policy',² but was certainly a concept which was increasing in importance as communist activity within the region became more pronounced. That development had been of considerable concern to the Labor Government. To the Liberals, who while electioneering had emphatically stated their opposition to both domestic and international communism,³ growing communist influence within the region was cause for alarm. In the context of the conference at Colombo, Spender emphasised the seriousness of events in Asia by asserting: 'The rising and menacing tide of communism in the East presents a definite threat - and not a remote threat either - to our national existence.'⁴

Second, in his pre-Colombo remarks, Spender touched on the importance which he attached to the role of the United States in the region. Australia and America, he considered, were the two countries which could 'in co-operation, make the greatest contribution to stability and democratic development of the countries of South East Asia ...'⁵ Although he had already spoken of Australia providing leadership within the region, a familiar theme of Evatt's, Spender was sufficiently aware of Australia's limitations to also acknowledge that American involvement was crucial.

Third, Spender briefly explained the function of economic

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¹ Sydney Sun, 2 January 1950, as quoted in Ibid.
² Spender, Exercises in Diplomacy, p.195.
³ Albinski, Australian Policies, pp.59-60; T.B. Millar, Australia's Foreign Policy (Sydney, 1968), p.81.
⁴ Spender, Exercises in Diplomacy, p.195.
⁵ Ibid.
assistance:

We can offer valuable assistance to the newly formed Governments of South East Asia. Because of greater technical and industrial development, we can offer advice and assistance in financial and industrial matters, and supply much-needed industrial equipment and finished goods.

By concerted action, we, the countries which have had the greater opportunities in the past, can help the countries of South East Asia to develop their own democratic institutions and their own economies and thus protect them against those opportunists and subversive elements which take advantage of changing political situations and low living standards.¹

This constituted a rudimentary formulation of the policy on foreign aid which was developed by Spender and his Department over the next few months. It was rooted in the events and ideas of the late 1940s;² both then, and in early 1950, it was an integral element of the Government's total foreign policy, but it was an element which Spender was determined to translate from ideas into action.

Spender went to Colombo believing that 'economic and technical aid and political stability in Southeast Asia,' and 'security in the Pacific' were like two sides of the one coin.³ During the course of informal discussions preceding the conference, he became aware that nothing constructive could emerge from a formal consideration of his idea of a Pacific defence pact, because, among other reasons, there was no agreement between members over a pact which justifiably could be interpreted as being directed against Communist China.⁴

¹ Sydney Sun, 3 January 1950, as quoted in Ibid., p.196.
² In addition to the ideas referred to in Chapter Two, pp.46-9, there is evidence that even before the communist victory in China, the Indian Ambassador to China, Sardar K.M. Panikkar, suggested to F. Keith Officer, the Australian Ambassador, that a Commonwealth scheme for economic aid to South and South-east Asia should be established. In Officer's view, this was the specific origin of the Colombo Plan.-L.P. Singh, The Politics of Economic Co-operation in Asia (Columbia, 1966), p.177.
³ Spender, Exercises in Diplomacy, p.196.
Spender decided not to pursue further that course of action at Colombo, a course which could have jeopardised the proposals for economic assistance to South and South-east Asia which he intended to submit.

Spender's emphasis on economic measures was not to suggest that political issues were being sidestepped; on the contrary, they were being approached from a different direction. In the Australian memorandum\(^1\) presented to the conference it was stated:

> The Australian Government is concerned that there is lacking as yet any concerted attempt to check and reverse through international economic measures the deterioration in the political and economic situation. Because international economic assistance will, in many cases, produce only slowly its effects on production and living standards, further delay in comprehensive international economic action will fail to achieve its political purpose of maintaining stable government, even though such action does eventually raise living standards from which the countries themselves and those that trade with them would undoubtedly benefit.\(^2\)

Throughout most of the memorandum attention was focused on the economic situation in South and South-east Asia and the recommendations were framed in terms of economic assistance and co-operation. However, despite the predominately economic nature of the document, the political purpose of international economic assistance, described here as the maintenance of stable government, was the most urgent objective of the Australian proposal.

Within the Australian memorandum, the suggested conference conclusions were grouped under two major headings; 'Consultation with the United States', and 'Financial and Other Measures to make Supplies Available',\(^3\) thus indicating the importance attached to United States involvement. Given the size of the

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1. The memorandum, dated 11 January 1950, was prepared by Spender in conjunction with his departmental advisors, A.H. (later Sir Arthur) Tange and L.R. (later Sir Laurence) McIntyre, during the journey from Australia to Ceylon and during the early days of the Colombo conference - Spender, *Exercises in Diplomacy*, pp.194, 214.
2. Ibid., p.216.
3. Ibid., pp.218-220.
problem in South and South-east Asia, economic progress was seen to be particularly dependent on American willingness to provide markets for exports from the area, and to supply 'the predominating share' of the capital equipment needed.1

Under the second heading, the more significant proposals included the extension of credit to countries in the area; the encouragement of non-Commonwealth involvement; the contribution of funds to the United Nations Technical Assistance Programme, and the provision of supplementary direct bilateral technical assistance. It was also suggested that a consultative committee be set up to co-ordinate development action taken by those countries and international organisations interested, and that the first meeting of that committee be held in Australia.2 At this stage, extensive co-operation was envisaged between participating members and international institutions such as the World Bank and United Nations agencies or commissions.3 In addition, Spender felt it essential that Australia should convene the first consultative committee meeting in order that the scheme's momentum would be maintained.4

Reaction to the Australian memorandum was hardly enthusiastic, but virtually all the proposals, except the specific question of consultations with the United States,5 were endorsed by the conference. Despite fears that there were political 'strings' attached,6 the Asian Dominions were persuaded to support the proposals because economic development was their prime objective and they recognised their need for

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1 Ibid., p.218.
2 Ibid., pp.218-220.
3 See also Ibid., p.226.
5 No reasons could be found for the deletion of Spender's important reference to the United States. On the one hand, it may have been more diplomatic to demonstrate Commonwealth intent before approaching America for substantial assistance. (Ibid., p.226). On the other, from the point of view of Asian involvement, it may have been preferable for it not to be presented as a scheme dependent on the United States.
external assistance and improved trading opportunities.\(^1\)

The British did not relish an obligation to provide additional assistance to the region as they had already made heavy post-war contributions to meet the needs of their former and remaining colonies in the area,\(^2\) and as they had serious economic difficulties of their own.\(^3\) Britain's Foreign Secretary pointed out at Colombo that it was unlikely, given the United Kingdom's balance of payments problems, that sterling releases could continue on the present scale.\(^4\)

Consequently, the British were keen to share their responsibilities, and in that regard, came to appreciate the potential of the 'Spender Plan'. They were further encouraged to support the plan by the agreement, reached at Colombo for India, Australia, Pakistan and Ceylon to share with Britain a £6 million interest free loan to Burma.\(^5\) In addition to these economic considerations, an important member of the United Kingdom delegation, Malcolm MacDonald,\(^6\) 'spoke authoritatively on the urgent necessity for preserving stable government in South-east Asia against Communist influence from China, working through a 'fifth column' of local Communists.

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1 See Spender, *Exercises in Diplomacy*, pp.208-10, 213. One of the modifications to the Spender proposals was the inclusion of a clause on 'the stabilisation of the price levels of basic products,' a modification which satisfied Ceylon as (with Australia and New Zealand) one of the sponsors of the final resolution. This clause, however, did not prove to be a significant element of the Colombo Plan.


3 See Spender's account of the United Kingdom reaction to a Ceylonese proposal at Colombo. - *Exercises in Diplomacy*, p.212.

4 See *Round Table*, No. 158 (March 1950), p.111, which was also cited in Carr-Gregg, 'The Colombo Plan', p.15.


6 MacDonald was the British Commissioner General in South-east Asia, and had chaired the Singapore conference of United Kingdom officials, held in November 1949. See Chapter Two, P.47, above.
and Chinese sympathizers." In that regard, MacDonald and Spender were in substantial agreement.

General support for the 'Spender Plan' was also forthcoming from most members of the conference because of the continuing dollar crisis. Commonwealth countries were aware that the South and South-east Asian region was an important source of raw materials, including jute, rubber, tea and tin, and that the dollar earnings 'were a significant element in the world's multilateral trade network'. Member Governments had believed, at least since the Commonwealth Finance Ministers Conference of July 1949, that the dollar problem could be substantially alleviated if the output of food and raw materials was increased as a result of economic development within the region. And the 'Spender Plan' appeared likely to facilitate this development. Thus at the Colombo conference, both political and economic factors combined to provide Australia's determined foreign Minister with the support he needed to launch the Australian scheme.

Because the British Commonwealth Conference followed so closely the election of the Menzies Government, Spender and his Department had acted with a considerable degree of freedom in formulating policies appropriate to the Colombo discussions. These policies subsequently met with Cabinet approval, and soon after Parliament resumed Spender placed them in their full foreign policy context in his first statement to the House on international affairs.

Spender regarded the broad aims of Australian foreign policy as 'self-evident and unchanging':

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1 Round Table, No.159 (May 1950), p.278.
3 Spender, Exercises in Diplomacy, pp.209, 216.
4 Ibid., p.214.
The security of Australia, and with it our prosperity and our freedom to pursue our way of life, is of course, what is uppermost in our minds when we determine the form and direction of foreign policy.\(^1\)

In particular, Spender believed that Australia's first interest was to maintain peace in the region in which it was geographically situated. In the Government's view, since the Second World War there had been a shift in the 'centre of gravity of world affairs' more and more towards Asia, partly because of the emergence of nearly independent states in South and South-east Asia and partly because there had been a shift of 'potential aggression' from Europe to Asia. Consequently, according to Spender:

Our policy must be to ensure, to the full extent we can, that these new States [Pakistan, Ceylon, India, Indonesia, Vietnam, Laos, and Cambodia,] co-operate with each other and with us in meeting positively and actively the new problems created in this area by the emergence of a communist China, and by the ever-increasing thrust of communism, which endeavours to ally itself, in the pursuit of its ends, with the national aspirations of the millions of people in Southeast Asia. In other words, we should work with the new States, economically, commercially, in the technical as well as the political fields, in order to maintain newly-won independence.\(^2\)

The Government's attitude towards communism in Asia was very much determined in the first instance by events in Europe which reflected the breakdown in relations between communist Russia and the East European states on the one side, and the United States and other Western nations on the other: a breakdown which Spender attributed to the Soviet Union's imperialistic foreign policy.\(^3\) The Western democracies, Spender considered, had stood firm against communism in Europe, but he felt there were grounds for believing that, as a result, the Soviet Union was showing increasing interest 'in

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\(^1\) Ibid., p.632. See also Ibid., p.621.

\(^2\) Ibid., p.623.

\(^3\) Ibid., pp.624-5, 639.
fostering the spread of Communism in Asia'. Although there may have been no direct link between Soviet imperialism and the rise to power of the communists in China, the Government believed that these two regimes would be closely associated. By means of the 'many millions' of overseas Chinese scattered throughout South-east Asia, 'international Communism' would be in a position to exercise a greater disruptive influence. Australia's assessment of the likely pattern of behaviour of the new Chinese Government itself, was only tentative: it could be too absorbed in internal affairs to 'contemplate territorial aggrandisement;' it could 'be intent on aggression into other areas across China's present borders;' or it could, at minimal cost, try 'to stir up unrest and rebellion in Asia...'' Australia recognised that in dealing with these possible consequences of the communist victory in China, as well as pursuing broader foreign policy aims, it was essential that close co-operation be established with others outside the region.

To that end, Spender emphasised the importance of maintaining and developing Australia's relations with Britain and the Commonwealth, with the United States, and with the United Nations. Spender's description of the importance of the British Commonwealth connection varied little from the position taken up by the Labor Government during the 'forties: if anything, less was made of the 'outpost of British civilization' concept which had appealed to Evatt. However, closer relations with America were essential, in Spender's view. In addition to suggesting increasing political and economic co-operation, he said:

I am confident that, on the great issues affecting the maintenance of peace and security in this area, Australia and the United States can act in concert to our mutual advantage and the advantage of other countries concerned.  

1 Ibid., p.625.
2 Ibid., p.626.
3 Ibid., p.636.
Both before and during the Colombo Conference, Spender had already stressed the importance of American involvement in the region. This was an aspect of policy which was to remain central for another two decades.¹

In his elucidation of Australia's relations with the United Nations and other international organisations, Spender re-affirmed Australia's determination to apply the principles of the United Nations, and in so doing, to co-operate with the United Kingdom, the United States, Canada, other members of the British Commonwealth 'and all those who have shown themselves to be genuinely bent upon using the organization to find workable and just solutions to international problems'.² He was sceptical as to the motives of some members in belonging to the United Nations, and was not at all optimistic that the organisation could be relied upon to come to grips with the major political issues of the time, the blame for which he laid at the feet of the Soviet Union and its satellites.

In the economic and social sphere, however, Spender considered that some United Nations agencies had made a valuable contribution, and that the new programme of technical assistance to under-developed countries could well build surer foundations of economic progress and political stability in areas such as South and Southeast Asia where, as I have already said, economic conditions have encouraged the growth of forces which are a threat to this country's well-being.³

The language was typically Spender's but in practice Australia's policy towards the United Nations differed only in degree, and not in substance, from that which Labor had developed by the end of the 'forties.⁴

Overall, when considering Australia's more important relations with other countries and institutions, Spender mainly re-ordered Labor priorities: a closer association with the newly independent, 'democratic' countries in South and

¹ For additional comment on Australian perceptions of the importance of United States ties, see Gordon Greenwood, 'The Commonwealth', in Greenwood and Harper (eds), Australia in World Affairs 1950-1955, pp.71, 72, 75, 86.
³ Ibid., p.637.
South-east Asia was to be pursued; United States involvement in the Asian region was essential for 'peace and security;' the British Commonwealth had an important role to play in Asian and world affairs, and the United Nations, although now in a subordinate place, was of potential significance, mainly in the economic and social sphere. These relationships were fundamental to Australian foreign policy and most of them were closely bound up with the economic assistance policy which Spender enunciated in the course of his 9 March foreign policy statement.

Aid to South-east Asia was not regarded as an addendum to the more important political elements of Australian foreign policy. Nor was the granting of economic assistance seen to be merely an extension of foreign economic policy. Foreign aid, in Spender's view, was one of two instruments of foreign policy which could be used to avert the danger of communist imperialism in Asia. The other, to which he turned his attention later, was a regional security pact: an instrument which could provide immediate, and primarily military, protection to complement the security to be afforded by means of economic assistance.

Australian foreign aid, as part of the scheme Spender promoted at Colombo, was intended to help reverse the deteriorating political and economic situation in the region. As Spender argued:

The consolidation of Communism in China and the evident threat of its emergence as a growing force throughout South and Southeast Asia, underline the urgency of international efforts to stabilise governments and to create conditions of economic life and living standards under which the false ideological attraction which communism excites will lose its force.

... The problem in Asia lies in the poverty that exists within the region itself, no less than in the pressure from external forces.

2 Ibid., p.629.
Later in his speech, Spender expanded further on the causes of instability:

One lesson to be drawn from the history of China of the past few years is that instability in a regime is in direct proportion to low standards of living, maldistribution of wealth, and inefficiency of Government leadership. We are sure that it is to our interest to provide, to the maximum extent of our capacity, those resources which will help to consolidate the governments of Southeast Asia on such a sound democratic basis that no extremism can flourish.\(^1\)

Of the possible causes of instability suggested, 'maldistribution of wealth', and 'inefficiency of Government leadership' received no further attention. It perhaps would have been undiplomatic to dwell on these points. Instead Spender concentrated on other causes of instability, on poverty, on production levels, and on living standards, but he acknowledged that it would be some time before international economic assistance could make an impact in these areas. However, he did insist that the political situation would improve immediately if the new governments in the region were given economic encouragement (i.e. foreign aid) as that would help them 'maintain stability within their own borders.'\(^2\) The maintenance of 'stable and democratic' governments was the immediate political purpose of Australian international economic, or 'good neighbourly', assistance,\(^3\) and it was that purpose which gave rise to the note of urgency in the aid policy which Spender enunciated.

In addition to these political and economic considerations, Spender also briefly touched on the implications for trade of future economic development in South and South-east Asia. He believed that an increase in the output of food and raw materials could substantially contribute towards a solution of the dollar problem. Moreover, he indicated that the Government did not regard economic aid as one way 'hand-outs'. In so far as aid would stimulate production, Spender

\(^1\) Ibid., p.639.
\(^2\) Ibid., p.630.
\(^3\) Ibid., pp.628-9, 638.
envisaged the scheme for economic assistance to the region as 'a prelude to the promotion of trade from which Australia can profit in full measure.'

The scheme, as outlined by Spender in the House, was based on those recommendations which Australia, Ceylon and New Zealand had jointly sponsored at the British Commonwealth Conference. On this occasion, however, he was able to add that the Australian Government had approved the Colombo proposal in its entirety. Furthermore he emphasised, as he had in the memorandum presented at Colombo, that active United States co-operation was essential for the solution of the political and economic problems of the region.

While formulating Australia's economic assistance policy, Spender was acting with some assurance that United States co-operation, for the purpose of Asian economic development, would be forthcoming. By 1950 it had become apparent that America was not pressing for a regional grouping to facilitate development in the area, as it had in the European situation, but had adopted a 'wait and see' policy. Furthermore, it was opposed to instituting an Asian Marshall Plan. It was recognised that scope for inter-governmental co-operation in Asia, to utilize American aid, was much more limited than had been the case in Europe: distances were greater; the various national communities were much less homogeneous; development problems were much more diverse from country to country; and the newly independent governments in the region did not wish to entertain another form of dependency, preferring to do things their own way. For these reasons, the initial United States reaction to the Colombo Plan was one of 'interest but non-participation' added to the expressed hope that, as America and the British Commonwealth had common objectives in the region, co-ordination of their efforts might be possible. For almost two years before the Colombo

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1 Ibid., p.630.
2 Ibid., p.629.
3 Current Notes, Vol.20, No.6 (June 1949), p.704.
4 See Brown and Opie, American Foreign Assistance, pp.409-10.
5 Ibid., p.412.
conference, the United States had been providing economic development assistance, on a bilateral basis, to a number of Asian countries. From the middle of 1948, except for a cessation between December 1948 and November 1949, Indonesia had received assistance through the European Recovery Programme. Again from mid 1948, China had been provided with substantial assistance, but from the following April, expenditure was reserved only for areas of China 'not under Communist domination.' From January 1949 economic aid had been extended to South Korea, and again, by the end of that year, it was indicated that because American private capital investment was not forthcoming, United States Government assistance to India was being contemplated. Moreover, the bill authorizing the first 'Point Four' programme had been introduced in Congress in mid 1949. That bill, directed in part towards providing technical assistance for the under-developed 'free countries of Asia', was also designed to encourage international co-operation over development assistance efforts. According to its terms, the United States, in providing technical aid, was required to seek 'the participation of the United Nations, the Organization of American States, and their related organizations and of other international organizations ... wherever practicable.' This may partly explain Spender's emphasis at Colombo on co-operation with the United Nations and the various international

1 Keesings, 19-26 November 1949, p.10368.
2 See Current Notes, Vol.22, No.11 (November 1951), p.605. Towards the end of 1949 it was estimated that Indonesia could be a substantial producer of dollar-saving or dollar-producing items. - Brown and Opie, American Foreign Assistance, p.412.
4 Ibid., p.610.
5 Current Notes, Vol.21, No.1 (January 1950), p.34.
6 'Point Four' was derived from Truman's inaugural address of 1949 in which, as his fourth point, he stated in part that 'we must embark on a bold new program for making the benefits of our scientific advances and industrial progress available for the improvement and growth of underdeveloped areas...' - quoted in Brown and Opie, American Foreign Assistance, p.389. The 'Point Four' programme initially took the form of the Act for International Development.
7 The words of Secretary of State Acheson, as quoted in Ibid., p.393.
8 Quoted in Ibid.
organisations which provided technical assistance, as this emphasis would have evoked a sympathetic response from the United States whose support Spender regarded as essential.¹

These pre-1950 indications of American intentions in the region were reinforced by action taken during the month following the Colombo Commonwealth Conference. In February 1950, to counteract the increasing level of communist inspired disturbances, the United States Administration introduced the China Area Aid Act of 1950 which incorporated an emergency programme of assistance to South-east Asia which was additional to the Point Four programme.² The China Area legislation made provision for funds, which had been earmarked for Kuomintang China, to be re-allocated to countries in the 'general area of China', a phrase which came to include the Associated States of Indo-China, Indonesia, Burma and Thailand. French Indo-China was regarded as most susceptible to communist pressure. With the Viet Minh believed to be receiving increasing assistance from the Chinese Communists, it was announced in February that a special mission led by R. Allen Griffin would visit Saigon and other capitals to determine the economic and technical assistance needs of South-east Asia. This assistance was intended to improve the economic and social situation in the countries of the region in order that the appeal of communism might be diminished.³

From early 1950, American assistance to South-east Asia was very much influenced by the contribution 'it would make to the worldwide fight against the spread of communism'.⁴ In this regard, American policy was in accord with the Australian proposals for international economic development

¹ See pp.54-5, above.
⁴ Brown and Opie, American Foreign Assistance, p.417. An associated American objective was to develop resources of strategic raw materials in South-east Asia and other under-developed areas - Ibid., p.418.
assistance in the region and it was therefore not at all unrealistic for Spender to have anticipated close and generous American co-operation.

The United States Government provided a clearer public indication of its intentions to become involved in South-east Asia just a few days before the May British Commonwealth meeting to consider the response of governments to the 'Spender Plan'. It was announced in Washington, before Congressional approval had been obtained, that on the recommendation of the Griffin mission, Indo-China was to receive economic assistance to the value of $US23 million as well as an undisclosed amount of military aid, Thailand was to receive $US10 million, and $US31 million was to be divided between Burma, Malaya and Indonesia.\(^1\) Although these funds were authorized in the China Area Aid Act of 1950 which the President did not sign until 5 June, Spender was able to go to the Consultative Committee meeting on 15 May with specific indications of United States interest in economic aid for the region,\(^2\) though not necessarily through the Colombo Plan.

All member countries except South Africa were represented at the British Commonwealth Consultative Committee meeting held in Sydney, and considerable progress was made in specifying the course of action required to encourage economic development in the region. Agreement between delegates was reached without difficulty concerning long-term planning for development, including economic aid, as well as the future steps to be taken by the Consultative Committee.\(^3\) It was emphasised by the Asian members, however, that the scheme contemplated should in no way interfere with their newly won

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independence.\(^1\) Spender later dismissed that concern over interference as 'hardly necessary. It was generally recognised', he said, 'that any plan which could be interpreted as doing so would be destructive of our common purpose'.\(^2\) Avoidance of interference was the basis of the later formal Colombo Plan stipulation that economic or technical assistance was only to be provided in response to a request of the recipient government.

In contrast to the reception given to long-term measures, it was only with considerable difficulty that agreement was reached over short-term action. Australia was the only country to put forward additional proposals for immediate implementation. Two were suggested: the first being an £8 million sterling Commonwealth fund for technical assistance, and the second a £15 million sterling fund to finance priority capital needs of Asian Commonwealth countries as well as emergency food and medical supplies.\(^3\)

Australian reasons for advancing these proposals were threefold. First, Spender was convinced that the political and economic situation in South and South-east Asia was even more critical than at the time of the Colombo Conference.\(^4\) Second, in reiteration of a similar point made in the Colombo memorandum, Australia felt immediate action was necessary to demonstrate Commonwealth sincerity of purpose. As reported in the London Times, the Australian Government view was

... that only thus can the conference convince the United States of the British Commonwealth's willingness to make a financial contribution towards securing the political stability of South-East Asia.\(^5\)

\(^{1}\) Ibid., pp.247, 249, 250.

\(^{2}\) Ibid., p.247.

\(^{3}\) Spender, Exercises in Diplomacy, p.252; Watt, Australian Foreign Policy, p.161; Singh, The Politics of Economic Cooperation in Asia, p.180.

\(^{4}\) See Spender's opening statement at the Sydney meeting, Current Notes, Vol.21, No.5 (May 1950), p.340; see also his Exercises in Diplomacy, pp.253, 254, 258.

\(^{5}\) The wording of this report in the London Times of 17 May 1950 was very similar to that in a report of the same day in the Sydney Morning Herald. (Spender, Exercises in Diplomacy, pp.258-9.) That, together with Spender's action in quoting...
The third and most important reason was that immediate action was essential if the momentum of preparatory work for the total scheme was to be maintained. If the scheme was to be successfully launched, South and South-east Asian countries had to see that the Commonwealth was serious in its intentions.

Despite much dissension, mainly between the British and the Australian delegations, over the need for urgent measures, Spender succeeded eventually in extracting a favourable decision over the establishment of the technical assistance fund. Australia and the United Kingdom were to contribute equally nearly three quarters of the amount required, Spender having obtained in advance the concurrence of the Australian Treasurer. Spender had to be satisfied with only the technical assistance scheme; time was running out for the Committee and he was unable to attract even minimal support for the twice modified emergency credits and supplies proposal.

The Colombo Plan, as it emerged from the Sydney meeting, was to be based on development plans covering a six year period to be prepared by each of the Asian British Commonwealth countries. These plans, to be considered by governments in London in September, would enable resources and needs to be assessed, and would indicate the extent of external assistance required. Furthermore, immediate bilateral technical assistance programmes were to be initiated. So far, the Plan had been entirely a British Commonwealth venture; it was also decided in Sydney to make formal approaches to non-Commonwealth countries in South and South-east Asia to inform them of action taken and to encourage their participation in the scheme.

In his statement to Parliament of 6 June on the

both at length without qualification, suggests that these reports were authoritatively based. See also Ibid., p.251; and Spender's opening statement to the Sydney meeting, Current Notes, Vol.21, No.5 (May 1950), p.342.

1 Spender, Exercises in Diplomacy, p.251.
2 Ibid., p.257.
deliberations of the Sydney conference, Spender was pleased to be able to report that, since the Consultative Committee had met, the United States Secretary of State had indicated his Government's intention to 'attempt to co-ordinate' American efforts with those of the British Commonwealth in South and South-east Asia. Spender thus had further grounds for hoping that the level of external assistance which would be available to the area 'may result in real and lasting benefits'.\(^1\) It was now more likely that the Plan would be successfully launched.

During the course of his statement to the House, Spender also took the opportunity of presenting a summary of those considerations he had in mind in developing the Government's policy on foreign aid.

There are several reasons why this external assistance should be given. In the first place, on humanitarian grounds we cannot ignore the basic needs of such a large and important section of the world's population. Secondly, a permanent improvement in world trade depends in a substantial degree upon the economic development and increased productive capacity of the countries of South and South East Asia. Thirdly, the task of achieving political stability in this area will be wellnigh impossible unless living standards are lifted from their present very low levels. Finally, conditions of misery and want provide a fertile breeding ground for philosophies and forces, particularly imperialistic communism, which seek the destruction of democratic institutions.\(^2\)

This was the first public occasion on which Spender spoke of humanitarian considerations\(^3\) but from then on, the obligation on the rich to assist the poor was to be regularly included as part justification of Australian policy. The benefits for world trade of economic development in South and South-east

\(^1\) CPD., Vol.208, 6 June 1950, p.3724.

\(^2\) Ibid., p.3723.

\(^3\) In *Exercises in Diplomacy* at p.247, Spender recorded that he concluded his opening remarks at the Sydney meeting by indicating that Australia would be animated not only by humanitarian motives, but by considerations of security. However, his statement as printed in *Current Notes*, Vol.21, No. 5 (May 1950), pp.340-2, did not include a specific reference to humanitarian motives.
Asia had been more frequently mentioned in earlier statements, but more in the context of the sterling area dollar problem than Australia's trading situation in the region. However, political stability in Asia and security from the threat of communism had been a constant theme from the beginning of Australia's interest in economic assistance schemes involving countries to its north and north-west. Later that year, Spender explained these political considerations at greater length. Australia's foreign aid policy, he said,

is not a policy of mere humanitarianism; it is also a policy of serious self-interest ... Amongst the new nations of Asia, there is a struggle for greater economic security and the improvement of living standards. But, from Australia's point of view, there is much more than that, vastly important though that is. Here we are confronted with a contest for the friendship of the countless millions who dwell there, a contest for the minds and hearts of men and women. If we completely ignore or neglect the economic and political problems of these countries, we can be quite sure that the effect will be to encourage them to look elsewhere for support and counsel. Failure to improve living standards will undermine political stability and lead to chaos in which the strong, ruthless and unscrupulous will win governmental control. It is my firm belief that we must take up this challenge and demonstrate to these people, by our acts, our genuine understanding of their problems and our sympathetic readiness to help them to help themselves. To a country geographically situated as is Australia, the benefits of such a policy could be incalculable.¹

Towards the end of September, Spender interrupted his attendance at the United Nations General Assembly in New York in order to help put into effect the scheme with which he had been so closely associated since January. Except that it was not possible for the full participation of the non-Commonwealth countries in South-east Asia to be secured by September, the London Consultative Committee meeting proceeded along the course laid down in Sydney. Indian, Pakistani and Ceylonese development plans, together with those for the British Territories in the region, were drawn together and

estimates were made of assistance requirements.¹

Whether 'The Colombo Plan for Co-operative Economic Development in South and South-East Asia' (as it became known in London) was to operate bilaterally or multilaterally, was not conclusively established. It was suggested that donor and recipient countries would prefer bilateral arrangements for the provision of external assistance, but it was also tentatively suggested that a multilateral forum would still be required to review overall progress.² Australia had advocated the bilateral provision of assistance from the time of the Colombo conference³ but that view, although firmly established in relation to the more limited technical assistance scheme,⁴ did not emerge strongly in the general Colombo Plan report. Caution over Asian fears of domestic interference may well have been the reason for only a tentative advocacy of the bilateral method of operation. Certainly, aside from a Ceylonese proposal at Colombo which was not taken up, there was no hint at any of the three British Commonwealth meetings in 1950 that a major multilateral fund was contemplated. On balance, however, the bilateral approach seemed to be preferred. The Australian Government was aware that American assistance was most likely to be provided bilaterally in South and South-east Asia. Since substantial United States assistance was regarded as necessary, the Plan had to be framed in a way which Washington was likely to find acceptable. Whether or not the Plan’s bilateral style was decisive, the Commonwealth Governments did succeed in inducing the United States to join the Consultative Committee in February 1951.⁵

Throughout the course of the 1950 British Commonwealth discussions, Spender had formulated Australia’s policy for the

² Ibid., p.63.
³ Spender, Exercises in Diplomacy, pp.215, 219, 221.
⁴ See the Constitution of the Council for Technical Co-operation in Colombo Plan Report, September-October 1950, p.100
⁵ Spender, Exercises in Diplomacy, p.272.
provision of international economic assistance. His assessment of the prevailing international situation, his enunciation of the political, economic and humanitarian considerations relevant to Australian aid policy, and the Colombo Plan course of action which he vigorously promoted, were, with only minor variations, accepted, espoused and followed by the Australian Government throughout the 'fifties and early 'sixties.

During the first three years of his term of office as Minister for Foreign Affairs (1951-4), R.G. Casey developed similar arguments while advocating economic assistance to a larger number of countries in the area. Following his first visit to South-east Asia as Minister, Casey reminded Parliament that because of its geographic situation, direct threats to Australian security could only come from that region in the foreseeable future. For that reason, he said, the 'political, economic and military situation in the countries of this area is therefore of the first importance to Australia'. In terms which were reminiscent of Spender and even Evatt before him, Casey warned that the disrupted post-war situation and emerging Asian nationalism could easily be exploited by 'international communism'. In another speech to Parliament early in 1952 Casey described the Colombo Plan as 'an important feature in Australia's policy' for there 'can be no lasting security in the absence of improved social conditions including greater economic and political opportunity'. Later that year in his Roy Milne Memorial Lecture on 'The Conduct of Australia's Foreign Policy', he spoke more directly of other political benefits of Australian overseas aid. The Colombo Plan, he suggested 'may be seen

2 Ibid., p.152. At this point in his speech Casey employed concepts which Evatt had used in 1949. See Chapter Two, pp.46-7 above. Comparable phrases of Spender's have been quoted above at pp.53,58.
as an important long-term factor in our general policy of developing good neighbourly relations with the peoples to our North'.

This comment directly followed Casey's remarks on the significance of training Asian students and officials in Australia. Developing this aspect of Australian aid, which he felt was inadequately appreciated, he indicated that these young men and women, future Asian leaders, were coming in contact with many Australians at universities and in the public service. Casey hoped that the impressions gained by these overseas students and officials, in time, would influence attitudes in the countries from which they came, thereby contributing 'appreciably towards closer relations between Australia and her neighbours.'

Casey's justification of Australian training for overseas students was indirectly related to the effects which the 'White Australia' immigration policy had on Australian-Asian relations. During Labor's term of office, the adverse reaction in Singapore, Kuala Lumpur, Rangoon and Colombo to Calwell's administration of the Immigration Restriction Act had introduced a decidedly sour element into the 1948 Macmahon Ball 'goodwill' mission. Further, during the later years of Calwell's term as Minister for Immigration, there had been a number of isolated instances of unfavourable South-east Asian responses to certain cases involving Asians which had resulted from his rigid application of the policy.

2 Ibid.
3 This mission was briefly discussed in Chapter Two at p.44 above; see also Peter Wicks, 'Diplomatic Perspectives', in Stephen Bochner and Peter Wicks (eds), Overseas Students in Australia, p.13.
or not this evidence substantiates the proposition that relations with South and South-east Asian countries were significantly impaired as a result of Australia's selective immigration policy,¹ when it took office, the Liberal Government demonstrated some sensitivity to Asian reactions to that policy.

In early 1950, Spender explained to the House that, from his observations, some Asian governments took exception to the way in which the immigration policy had been administered in particular cases, but, he said, they understood and accepted Australia's reasons for the policy itself. Since the Liberal Government had taken office, Spender continued, 'a simple, humane and common-sense administration of the White Australia policy' had resulted in goodwill toward Australia being restored in Asian countries.²

This assessment of the Minister for Foreign Affairs necessarily reflected, at best, official diplomatic reactions to the country's immigration policy. Unofficially, the Asian response may not have been quite so acquiescent.³ It seems 'there was an undercurrent of feeling that Australia's desire to be co-operative with Asian nations was inconsistent with its refusal to admit any permanent Asian migrants'.⁴

Under these circumstances it is understandable that, during his first few years of office, Casey should have balanced his explanation of the restrictive immigration policy with the positive note that the Australian authorities made 'liberal provision' for all, including Asian, non-permanent visitors — for tourists, businessmen and students.⁵ After mentioning the presence, in early 1953, of 2,400 non-European students in Australia, Casey said:

1 Albinski considered they were not 'seriously jeopardized' — 'Australia Reviews Her Asian Exclusion Policy', p.162.
It is the Government's policy to encourage this interchange, and I feel confident that it will be mutually stimulating and profitable. We will learn more about other people and they more about us - and I know it will lead to greater understanding and goodwill.  

Even though only a small proportion of all overseas students were sponsored under the Colombo Plan, Casey did not draw that distinction and simply expressed his view that the training of overseas students (both private and sponsored) should help in breaking down 'prejudices and misunderstandings on both sides'. Casey was as keen to educate Australians about Asia as he was to improve Asian attitudes towards Australia. The policy of encouraging overseas students to train in Australia appears to have been founded and reinforced, at least in part, as a result of a belief that such action would help to mitigate the country's exclusive 'White Australia' image in Asia.

Improved regional security and the development of good relations between Australia and Asian countries were not the only benefits to Australia to which Casey drew attention. In July 1953, he addressed the Melbourne Junior Chamber of Commerce on the Colombo Plan and, amongst other things he touched on the connection between foreign aid and trade, in a manner reminiscent of Spender's approach. Casey emphasised at the outset that the Colombo Plan was part of Australian foreign policy and 'not an instrument for trade promotion'. Nevertheless, he continued, the Commonwealth countries believed that increasing economic development in South and South-east Asia would 'enlarge the volume of trade around the world from which all countries will benefit'. Although he

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1 Ibid., p.32.
2 Up to the end of 1952, Australia had received 271 Asian trainees under the Colombo Plan. (Current Notes, Vol.24, No.7 (July 1953), p.400) as compared with the early 1953 total of 2,400 non-European students in Australia.
3 Casey, The Conduct of Australia's Foreign Policy, p.24.
4 See also R.G. Neale, 'Australian Interests in and Attitudes towards Economic Assistance to Asia' in Gordon Greenwood (eds), Australian Policies Toward Asia (mimeo., Melbourne, n.d.), pp.16-17.
was speaking to an audience of businessmen, before whom a concession to business interests may have been expected, Casey was no more specific than to suggest a long-term general trade benefit as a result of economic assistance programmes. He wished to ensure that benefits for Australian trade were regarded very much as secondary to the main political thrust of Australian aid policy.

Early in 1954, in a comprehensive report on the Colombo Plan which he tabled in Parliament, as well as referring to those considerations which have been examined above, Casey mentioned the humanitarian element in Australia's neighbourly assistance to countries to its north.

In extending aid to countries of the area, Australia has recognised that the economically more developed countries have a responsibility to see that the peoples of less developed areas of the world should receive the opportunity to improve their standards of living towards that level enjoyed by countries of the Western world. Extreme want and poverty cannot exist alongside communities with solid economic well-being without arousing jealousy and tension.1

Thus in his early policy statements on foreign aid, Casey had taken up and continued the main themes which Spender had established, with few changes in emphasis. Security considerations were still critical but were beginning to be expressed more in terms of improving relations between countries and discernably less in terms of establishing 'bulwarks against communist imperialism'. General trade considerations were in evidence but they were treated as secondary and were rarely articulated in terms of specific Australian benefits. Finally, as had his predecessor, Casey acknowledged the existence of a moral obligation to provide economic assistance to less-developed countries. Overall, Australia was beginning to appear more benevolent as an aid donor even though Australian foreign policy was still very preoccupied with continuing strategic issues arising from the military situation in Malaya, Korea and Indo-China.

By 1954, a steady pattern of Australian aid-giving was

1 Current Notes, Vol.25, No.4 (April 1954), p.245. The report was tabled in the House on 9 April 1954.
beginning to emerge. In 1953/54 economic assistance to the value of $7.4 million was channelled largely (73%) through the bilateral Colombo Plan and to a lesser extent (27%) through the United Nations and its specialised agencies.\(^1\) Between them, the three countries on the Indian sub-continent received almost 90 per cent of Australia's Colombo Plan aid with Indonesia and the British Territories in South-east Asia receiving all but a small proportion of the balance. Together Burma, Cambodia (later the Khmer Republic), Nepal, the Philippines and Thailand only accounted for 0.7 per cent.\(^2\) That India, Pakistan and Ceylon should have been the major recipients is understandable as they were the three Asian British Commonwealth countries which were foundation members of the Plan. The British Territories were also foundation members through association with the United Kingdom, but they were primarily Britain's responsibility. Furthermore, Indonesia had only joined the Plan in 1953, although it had been receiving some assistance from Australia under the Commonwealth Technical Co-operation Scheme before that date. Apart from these institutional factors, the particular geographical distribution of Australian aid during the early 'fifties was also influenced by the existence of major food shortages in India, in 1951/52,\(^3\) and Pakistan, in 1952/53.\(^4\) Moreover Australia was concerned to establish good relations with both India and Pakistan; India, in particular, on account of its size, importance and Commonwealth association, was regarded as a focal point for the development of Australia's foreign policy in relation to Asia.\(^5\) In addition, that Indonesia was the fourth largest recipient was a reflection of Australia's persistent

\(^1\) See Appendix 1, Table III, below.
\(^2\) See Appendix 2, below.
\(^5\) Neale, 'India', p.243 and pp.243-280 *passim*. 
efforts to involve its closest neighbour in the Colombo Plan. Australia suggested Indonesia's entry,\(^1\) provided assistance under the then separate technical co-operation scheme, and immediately provided capital aid once Indonesia announced its intention to join the Plan\(^2\) even before Indonesia was formally accepted as a member at the New Delhi Consultative Committee meeting in October.\(^3\) Commenting on the Indonesian announcement of its intention to seek membership, Casey 'said that the Australian Government had always worked for close and cordial relations with Indonesia, our nearest neighbour to the north. The relationship would be aided by Indonesia's joining the Colombo Plan.'\(^4\) By 1956/57, Indonesia had replaced Ceylon as recipient of the third largest share of Australian bilateral aid.\(^5\)

In addition to this re-ordering of the priorities which Australia conferred on the recipients of its economic aid, around 1956/57 three other developments occurred which were of varying significance for aid policy. First, during 1956/57 and 1957/58 there was a marked increase in aid to India but this increase was a reflection of administrative problems rather than policy decisions. An $8.4 million commitment to supply railway rolling stock had been undertaken in 1955, but due to unexplained delays these large orders were not fulfilled until the 1956/57 and 1957/58 financial years.\(^6\) Second, in 1956/57, Australia subscribed to the newly formed International Finance Corporation (IFC) and paid the first of a series of annual calls on its subscription to the parent body, the IBRD.\(^7\) These World Bank contributions substantially increased the proportion of Australia's foreign aid provided through

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\(^2\) In April 1953, following the Indonesian announcement in January, trucks and tractors to the value of $400,000 were provided as Australia's 'first instalment of assistance under the Colombo Plan' - *Current Notes*, Vol.24, No.4 (April 1953), p.242.


\(^5\) See Appendix 2, below.


\(^7\) See Appendix 1, Table II, below.
multilateral channels. The significance of these contributions for aid policy, in an omissive sense, was that they were not publicly classified as foreign aid, an approach which was not changed until 1960. The pre-1960 approach appears the more logical: up to 1959/60, Australia had paid IBRD contributions totalling $25,440,000 and had received World Bank loans to the value of $US317,730,000 (approximately $142 million).

The third development in Australia foreign aid which occurred around 1956/57 was the Government's decision to provide economic assistance under the South-East Asian Collective Defence Treaty which had been drawn up at Manila two years earlier. The Manila Treaty was directed against communist aggression in Thailand, Pakistan, South Viet Nam, Cambodia and Laos; the South-East Asian Treaty Organisation (SEATO) which was established was primarily concerned with military issues. However the Treaty also included a minimal reference to international economic assistance in a clause which touched on political, economic and social objectives. Article III stated in most general terms:

The Parties undertake to strengthen their free institutions and to co-operate with one another in the further development of economic measures, including technical assistance, designed both to promote economic progress and social well-being and to further the individual and collective efforts of governments toward those ends.

Australia's role in helping to ensure the inclusion of this article is not at all clear; a satisfactory explanation of Australia's action is even more difficult to discover. Spender, representing Australia on the SEATO Treaty Drafting Committee which met in Washington, had attempted to introduce

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1 See Current Notes, Vol.31, No.10 (October 1960), p.587. That is to be compared with Current Notes, Vol.30, No.9 (September 1959), p.524, where IBRD contributions were not included in Australian international aid through United Nations agencies.


5 Spender had been Australian Minister in Washington since 1951.
ideas of his own which were similar to the positive aims he envisaged in 1950 as part of a Pacific pact - 'the promotion of democratic political institutions, higher living standards, increased cultural and commercial ties'. Spender says he was 'mildly rebuked' by Canberra for his action but his general point concerning positive provisions was not entirely dismissed. That was apparent from Casey's statement of Australian policy towards SEATO, of 10 August 1954. As a part, even though relatively minor, of the Government's approach he explained that

The pact should have some economic provisions. If there is to be a healthy political life in South-East Asia, there must be a healthy economic life. We must sustain and if possible increase the flow of economic aid into South-East Asia, and, when possible, play a part in easing the economic difficulties of the region. At the same time, however, Australia does not want the Colombo Plan superseded. We want to keep economic aid separate from defence machinery.

Some ambiguity in Australia's position is evident. The implication was that the economic provisions of the Treaty should 'sustain and if possible increase the flow of economic aid', but not in a way which directly involved the proposed Treaty organisation as a channel for foreign aid.

During the course of the Manila Conference from 6 to 8 September 1954, the three Asian participants pressed to make the treaty a major instrument of economic aid. They argued that by virtue of their SEATO membership they should be assured of special economic benefits not available to non-members. This proposal was firmly opposed by the United States and Great Britain as well as Australia, three of the

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1 Spender, *Exercises in Diplomacy*, p.17n.
five Western participants. Australian opposition over this issue conformed with the Government's expressed desire to prevent the Colombo Plan being superseded. Instead, Britain, Australia and the Philippines pressed for the inclusion of Article III:¹ a provision which can hardly be described as a concrete Treaty commitment.

During the debate in the Australian Parliament over ratification of the Defence Treaty, Casey drew attention to the provision for economic co-operation but reiterated the Government's policy that Australian aid would continue to be channelled through Colombo Plan machinery. However, the political problems involved in even a close verbal association between SEATO-stimulated economic co-operation and Colombo Plan aid, were sufficiently important for Casey immediately to add that 'there is of course no organic connection between the Manila Treaty and the Colombo Plan'.² Casey was unambiguous in his reaffirmation of Australian opposition to the idea of SEATO economic aid.

Within eighteen months, however, in apparent contradiction to earlier policy, Australia was preparing the way for a SEATO aid programme: one which Casey initially described as involving 'quasi-military' aid but which in the 1956/57 Estimates was termed 'economic assistance to support defence programme of South-East Asia treaty organisation member countries'.³ Just two weeks before the second SEATO Council Meeting which was to be held in Karachi from 6 to 8 March 1956, Casey, on the basis of a memorandum on the 'economic aspects of SEATO', obtained approval from Menzies and the Treasurer for a proposed $4 million programme of 'quasi-military' aid.⁴ At Karachi Casey suggested that the 'semi-military' or 'twilight' aid envisaged would be 'intermediate

between normal civil aid such as we give under the Colombo Plan on the one hand and what might be called shooting weapons and ammunition on the other hand'\(^1\). This form of aid, Casey explained, could include 'defence mechanical equipment, trucks and, maybe, bulldozers, and other forms of equipment used by the fighting services, cloths for uniforms, tinned foodstuffs, training of those countries' officers and non-commissioned officers in Australia, communication equipment, and a wide range of other equipment...'\(^2\) This type of aid was to be a means of directly supporting the defence services of the three Asian members. As the response at the SEATO Council Meeting was favourable, Casey proceeded with the scheme\(^3\) and an appropriation for the first $500,000 was included in the 1956/57 Budget.

The dual civil or military nature of some of the aid to be provided suggests two possible explanations of Australia's 1956 initiative. On the one hand, it may have been an attempt to respond to the continuing pressure from Asian members, that SEATO should become a significant channel of economic assistance.\(^4\) By responding in this manner, Australia could have been providing small but tangible evidence of the economic benefits of SEATO membership. The description 'quasi-military' could have been employed to justify economic aid through the Defence Treaty organisation, while still holding to the established policy that the Colombo Plan was the main vehicle for Australian economic assistance.


\(^2\) CPD., Vol.13, 9 October 1956, p.1283.

\(^3\) Casey had gained approval to act even before the funds were authorized in the Budget - Ibid., p.1283-4. That normal budgetary practice was sidestepped, emphasises the importance the Government attached to the immediate implementation of the programme.

\(^4\) Reference is made to that pressure in: Webb, 'Australia and SEATO', p.73; George Modelski, 'The Asian States' Participation in SEATO', in Modelski, SEATO, p.135; Watt, Australian Foreign Policy, p.158.
This explanation, however, is unlikely. First, the list of possible aid supplies and training services was, despite the dual nature of some items, significantly oriented towards military rather than civilian use. Second, the particular semi-military form of the Australian proposal appears to have been based on a report which a SEATO Committee of Economic Experts had prepared for consideration at Karachi. That Committee, despite earlier expectations\(^1\) had only 'discussed economic and financial problems arising out of the defence programmes of SEATO member countries',\(^2\) and did not deal with general economic assistance issues.\(^3\) Third, before Casey had

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\(^1\) See Casey's statement of 16 June 1955 on the first meeting of the Economic Experts - *Current Notes*, Vol.26, No.6 (June 1955), p.419. The Australian delegation was to be led by Mr D.J. Munro, Counsellor of the Australian High Commission in New Delhi and formerly head of the Economic Relations Branch of the Department of External Affairs in Canberra. The other two members of the delegation were to be Mr I.J. Lenne, Director of the Defence Production Planning Branch of the Department of Defence Production, and Dr R.J. Whitelaw, a Senior Finance Officer of the Treasury - Ibid.

\(^2\) *Current Notes*, Vol.27, No.1 (January 1956), p.11. In his statement at the opening session of the Karachi Council Meeting, Casey referred to studies 'of special economic questions arising out of Treaty commitments by member countries' (*Current Notes*, Vol.27, No.3 (March 1956), p.180), studies which the Committee of Economic Experts had undertaken (see final Council communique, Ibid., p.182). It is reasonable to assume that it was these studies which provided Australia with the preliminary information which indicated that the defence services in Asian countries required a wide range of equipment other than 'shooting weapons and ammunition' - see *CPD*, Vol. H of R 13, 9 October 1956, p.1283.

\(^3\) George Modelski, 'SEATO: Its Function and Organization', in Modelski, *SEATO*, p.31.
left Australia for Karachi, it had already been decided that this aid offer, if taken up by Asian members, would come out of the Australian defence vote. ¹ From the outset, the Government intended that the $4 million was to support Asian defence services and not to assist Asian economic development as such. However, some confusion at Ministerial level was apparent: the aid was described by the Minister for the Navy as 'more in the nature of an extension of the Colombo Plan' but taken out of the defence vote because 'the cultivation of friendly relations with the peoples of South-East Asia has an effect upon our defence policy'. ² Even so, and in spite of the dual purpose of some items proposed, in 1956 there was a clear distinction in Government policy, if not in every Government statement, between the military orientation of the SEATO programme and civil economic assistance provided through the Colombo Plan.

This suggests the second and more likely explanation of Australia's SEATO aid initiative: that the quasi-military aid was closely linked with defence considerations and Australian perceptions of the viability of SEATO as an effective organisation for collective defence in South and South-east Asia. The background to the assistance offer at Karachi was very much coloured by the conciliatory style of diplomacy pursued by both China and Russia during 1955. At the Afro-Asian Conference held in Bandung during April, Chou En-lai stepped up his country's advocacy of peaceful co-existence with Asian nations, both neutral and aligned. ³ Most Asian delegates at Bandung were favourably impressed by the Chinese appeals for peaceful co-operation in the region. In particular, despite the outspoken justification of their membership of SEATO by Pakistani and Thai representatives, ⁴

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¹ Menzies, as reported in the *Sydney Morning Herald*, 9 March 1956, p.3.
Chou En-lai succeeded in establishing cordial relations with both the Pakistani Prime Minister (who accepted an invitation to visit China) and the Thai Foreign Minister. Thailand rejected the Chinese overtures at Bandung but a large unofficial Thai 'People's Mission' toured China in February 1956. The Members of Parliament, journalists and businessmen on that Mission announced over Peking radio and on their return that, in their view, China had no aggressive intentions. Although some members of the Mission were arrested under Thailand's anti-communism laws, they were soon released on bail. Their early release strengthened reports then current in Bangkok that the Thai Government was unofficially exploring the prospect of better relations with the Chinese Peoples' Republic. Cambodia, one of the three Protocol States of the Manila Treaty, had also reacted favourably to the Chinese 'peaceful coexistence' stance at Bandung. Subsequently, after winning the September elections, Prince Sihanouk announced his country's adherence to a neutral foreign policy and its renunciation of the protection offered

1 Boyd, 'Communist China and SEATO', pp.171, 180.
2 Ibid., p.182.
4 Boyd, 'Communist China and SEATO', p.182.
5 Christian Science Monitor, 27 February 1956, p.4. The report went on to indicate the grounds for Thai interest in better relations with China: 1) Trade - Burma and Ceylon were already establishing contacts with China; 2) A desire for closer integration in Asian affairs following Bandun; 3) Reaction against United States influence in Thailand; 4) Thailand would like a share of the Communist aid available; 5) Thailand had more confidence as a result of SEATO. Moreover, as stated in the Christian Science Monitor, 'Observers expect, early this year, either directly or through neutral Burma or Ceylon, trade and diplomatic overtures to Thailand from Communist China and the observers believe the overtures will be accepted' - Ibid. For reference to the Mission arrests but not to the early releases, see also Modelski, 'The Asian States' participation in SEATO', p.112.
6 Boyd, 'Communist China and SEATO', p.175.
by SEATO.  

While on a visit to Peking some five months later, Sihanouk reiterated Cambodia's attitude to SEATO and announced increased political, economic and cultural cooperation with the Chinese.  

Such developments in the relations between China and other Asian states, particularly those linked to SEATO, were not regarded favourably in Australia. In a statement in the House of Representatives on 22 February 1956, Casey said in part:

"The Peking regime has made many declarations of peaceful intent, and, since the Bandung Conference, which marked a turning point in Chinese Communist tactics, its official statements and propaganda have assumed an apparent air of moderation."

"... Until we know with more certainty that Peking has renounced the use of force and subversion in the Formosa area and towards the countries of South-East Asia, it is difficult to see how progress can be made."

"... I hope and believe that the free Asian countries will not be misled by the sympathetic interest which the Communist countries claim to feel for them. The free Asian countries are a target area for Communist political and economic diplomacy and propaganda which is part of the pattern of Communist power politics."

The Government's interpretation of Chinese diplomacy was at best sceptical. Australia was still much more inclined to regard China's policy as one of communist expansion.

In addition to the new style of Chinese diplomacy, the general world political situation in 1955 was also affected by a spirit of detente associated with the Big Four meeting held in Geneva in July, and the beginning, a month later, of talks between the Chinese and the Americans. Both these events made a noticeable impact on SEATO members' confidence in the collective defence alliance. Some were apprehensive that a...

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change in United States' policy towards China would render their position untenable. 1 Casey, on Australia's part, was quick to caution against undue optimism regarding improved relations between communist and democratic nations. In his view, there were no grounds for a 'weakening of the defence preparations of the non-Communist world.' In his February statement, Casey indicated that it was only communist tactics and not basic communist philosophy and objectives which had changed.

In this new phase of East-West relations, Communist pressure on the free world is being vigorously exerted in new and more subtle forms, which are harder to detect and harder to counter. The crude assertion of Soviet power has given way to more subtle methods, by which communism seeks to present itself in the most attractive light to the non-Communist governments and to the ordinary people of all countries. 2

And Asia and the Middle East, Casey said, were the primary targets of the new style communist offensive.

In the Asian region, Casey regarded the kind of co-operation possible through SEATO as 'the only realistic way' to help preserve security and stability in the face of continuing communist pressures. To this end, the problem of physical defence, and concomitantly the strength and effectiveness of the defence forces of every member of SEATO, were 'clearly of the first importance'. 3 In addition, Casey considered that SEATO also had an important political and counter-subversion role to play, as well as being a significant forum for the stimulation of economic co-operation and for the development of mutual understanding between member nations. 4 For these reasons, Australia was doing all it could to strengthen the organisation and boost morale in the Treaty area.

5 Ibid., pp.117-8.
Throughout 1955 Australia unsuccessfully endeavoured to encourage the United States to station permanent forces in the region, so that SEATO military planning could be facilitated and 'teeth' added to the Defence Treaty guarantees.¹ On its own part, Australia had committed a small combat force to Malaya,² partly in response to the continuing Emergency and partly to provide forces which could be used in a SEATO situation.³ The question of basing additional Australian forces in the Treaty area was inextricably bound up with Australia's lack of defence preparedness (largely a domestic issue) and its unwillingness to commit additional forces in view of America's disinclination to deploy troops in the region.⁴ Under those circumstances, Australian quasi-military assistance was perhaps the best contribution for which Casey could muster support, to help boost SEATO effectiveness. As he indicated in the debate on the authorizing legislation:

We in Australia, keen members of SEATO, believing as we do, that the organization is a means of deterring [communist] aggression and war in south and south-east Asia, and also wanting to show our bona fides as members of the organization and to do what we can to help, particularly our three Asian partners, have evolved what I called at the time this twilight aid.

...It is a demonstration of Australia's keenness on the SEATO arrangement generally, which we believe has already had, and will continue to have a positive effect on the security of the countries involved, in other words, broadly speaking, the countries of South-East Asia and, at one very short remove, Australia.⁵

The case for quasi-military aid would also have been affected by immediate events in the region, events which the

¹ Millar, Australian Foreign Minister, pp.210-8, passim.
² Current Notes, Vol.26, No.6 (June 1955), p.419; T.B. Millar, Australia's Defence (Carlton, second edition, 1969), pp.56-7. A two squadron air contingent had been sent five years earlier - Ibid., p.45.
³ Ibid., p.58; Millar, Australian Foreign Minister, pp.211-2.
⁴ Ibid., pp.210, 214-6.
Australian Government would not have regarded as evidence of stability and security. Elections held in Indonesia in September and December had shown a marked increase in support for the Indonesian Communist Party. The SEATO military exercise 'Firmlink', although sponsored by Thailand, was reported to have been held at short notice in part because the United States was becoming increasingly concerned over neutralist and pro-Chinese Communist developments in Thailand. The currents below the surface of Thai sponsorship of 'Firmlink' were compounded, in terms of SEATO solidarity, by the decisions of the Pakistanis and the French not to participate: the former on the grounds of short notice; the latter on the grounds that the exercise was 'mistaken propaganda'.

At the time of 'Firmlink', the Government in Laos had just resigned and communist insurgency was still very much in evidence. Again, just a few days later, reports appeared in the Australian press of the communique, partly directed against SEATO, which was issued by Sihanouk and Chou En-lai. Such events would have confirmed Australian views on the need for immediate action to help bolster SEATO. On 22 February Casey delivered a major statement on international affairs in which he branded Russian and Chinese 'peaceful coexistence' diplomacy as a 'new and more subtle' form of communist pressure, and the next day he obtained approval for the semi-military aid offer. This assistance very much reflected Australian perceptions of the needs and importance of SEATO. For more than a decade it was the only country to

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1 Report from Gordon Walker (Hong Kong) in the Christian Science Monitor, 8 February 1956, p.3. It was stated that 1) there was a tendency on the part of Thai officials to talk in terms of neutrality; 2) there was evidence that the Chinese Communists had been gaining ground among Thailand's three million overseas Chinese. - Ibid.

2 Pakistan's decision was reported in the Sydney Morning Herald, 10 February 1956, p.3. Reference to the French position was made in Modelski 'SEATO: Its Function and Organization', p.5. Both countries did send observers to the exercise.


4 See above p.86.

5 See above pp.86-7.
institute a specific SEATO aid programme.  

Australia's 'defence support' assistance to Asian SEATO countries, although initially completely militarily oriented, was linked to policy concerning civil economic assistance. Both SEATO aid and Colombo Plan aid were based on common political objectives even though, under the two schemes, different priorities were accorded to other objectives. This coincidence of purpose existed in spite of the very different goals of the two aid programmes: namely, military preparedness and economic development.

In time, the goals of the two programmes were to become less differentiated. The SEATO aid programme was expanded by $2 million in 1958 and maintained its quasi-military form until the end of the decade. From then on it began to be directed towards an increasing number of civil aid projects, the first being the establishment, in Dacca, of a cholera research laboratory, on the suggestion of the United States. That was the start of a lengthy process of transformation from a military to a civil orientation, a process which continued over the next seven or eight years.

Considering Australia's foreign aid programme as a whole (including SEATO aid and IBRD contributions), by 1959/60 expenditure had risen to $19.2 million with 46 per cent being channelled through multilateral institutions. Colombo Plan aid amounted to just under $9 million, which equalled the average annual expenditure under the Plan for the five years to 1959/60. By that time, there was a more even distribution of Colombo Plan aid between the five most important recipients; India, Malaya, Indonesia, Pakistan and Thailand received proportions which varied from 18 down to 8 per cent. As aid programmes to particular South-east Asian

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1 New Zealand began one in 1969 but in markedly different circumstances.
2 CPD, Vol. H of R 18, 15 April 1958, p.868. Casey regarded this as 'one of the few material points' to emerge from the Manila SEATO Council Meeting - Millar, Australian Foreign Minister, p.294.
4 See Appendix 1, Table III, below.
countries expanded and the total remained relatively constant, the earlier marked disparities between recipients were reduced.\textsuperscript{1} Furthermore, as a result of the SEATO aid programme, in 1959/60 Pakistan and Thailand received substantial additional 'semi-military' aid,\textsuperscript{2} increasing their bilateral aid from Australia by nearly 70 per cent in both cases. During the subsequent two years, with new commitments to the International Development Association (IDA) and the Indus Basin Development Fund,\textsuperscript{3} commitments which initially were partly at the expense of the Colombo Plan allocation, the total foreign aid programme expanded slowly. The geographical distribution of Colombo Plan aid only reflected irregular variations in the amounts allocated to particular recipients, but with the Indus Waters commitment added in equal proportions to Indian and Pakistani programmes, for a short period those two countries were Australia's major recipients.\textsuperscript{4}

By the end of Casey's term of office (1960), Australia's economic aid programme seemed to have become, in official foreign policy statements, a separate and apparently independent aspect of Australia's foreign relations. Usually reference was made only to the goal of assisting

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\textsuperscript{1} See Appendix 2, below.

\textsuperscript{2} See Appendix 3, below.

\textsuperscript{3} The Indus Basin Development Fund (or Indus Waters Scheme as it was sometimes called) was established in 1960 under the World Bank, and was believed, in Australia, to have been a factor which influenced India and Pakistan in their settlement of the long-standing dispute over the use of the waters of the Indus River. - \textit{Current Notes}, Vol.36, No. 1 (January 1965), p.28. See also F.A. Mediansky, 'Australia's Relations with India 1947-1964' (Ph.D. thesis, University of Sydney, Sydney, 1971), pp.292-3, where Australia's contribution to this Fund is discussed at length.

\textsuperscript{4} See Appendices 1, 2 and 3, below.
economic development in South-east Asia, and, as had always been the case, the Department or the Minister continued to issue a constant stream of aid project details and statistics.

During the early 'sixties that situation remained largely unchanged. Moreover, until July 1964, none of Casey's successors offered a comprehensive justification of current external aid policy. Australian foreign aid had become an established practice and, for the most part, underlying assumptions were not called into question.

However from 1962 onwards, elements of the aid programme for Thailand and South Viet Nam, under both SEATO and the Colombo Plan, provided a reminder that not only were broad long-term political considerations involved in aid policy but that at times, immediate strategic objectives were very much to the fore.

In May 1962 the highly unstable Laotian situation had led to a limited commitment of forces of some SEATO members to help maintain the 'territorial integrity' of Thailand. Both the north-eastern and the northern regions of Thailand bordering on Laos were regarded by the Thais as susceptible to communist infiltration, but this situation was improved, in their view, once SEATO forces had been introduced.

1 Menzies was Minister for External Affairs from February 1960 to December 1961; Senator J.G. Gorton was Minister Assisting the Minister for External Affairs from 1960 to 1963 and for at least part of that time was responsible for foreign aid matters; Sir Garfield Barwick was Minister from December 1961 to April 1964, when he was succeeded by Paul Hasluck. - Millar, Australia's Foreign Policy, facing p.248, and J.S. Legge (ed.), Who's Who in Australia 1968 (Melbourne, 1968), p.357.


Australian air force squadron came to be stationed at Ubon in North-east Thailand.

For the rest of 1962, although the Laotian crisis had subsided, North-east Thailand was still perceived as being vulnerable to communist pressures. Consequently, as part of its SEATO Aid Programme, Australia agreed to provide the Thais with eighty jeeps and spare parts, valued at approximately $200,000. These jeeps, said Sir Garfield Barwick,

which will be used by the Thai Provincial Police and civil authorities to improve their communications in the north-east of the country, were being provided as part of Australia's contribution to the Thai government's efforts to counter Communist subversion in that area.¹

During 1962, as another 'part of Australia's contribution', work began on the major Khon Kaen feeder roads project in the north-east region. This $6.2 million joint Thai-Australian project,² undertaken under the Colombo Plan, involved the construction of feeder roads linking villages with the main highway system which the Americans had built, as well as the establishment of a road construction centre at Khon Kaen itself. In an address to the Australian Institute of International Affairs, Barwick intimated that this four year project was intended to help overcome the underdeveloped nature of the area which 'is in large part due to poor communications which isolate the peasant from potential markets and force him back on subsistence agriculture'.³

¹ Current Notes, Vol.33, No.11 (November 1962), p.73. 'Other Australian SEATO aid projects in Thailand in the early sixties (including the Thai Military Technical Training School, the Army Vehicle Rebuild Workshop and the installation of radio transmitters at Khon Kaen and Korat in North Thailand) were also related to counter-insurgency activities'. - Department of Foreign Affairs (External Aid Branch), 'Australian Aid to Thailand', paper delivered to Australian National University Seminar on Contemporary Thailand, 6-9 September 1971 (Mimeo., Canberra), p.5 and Appendix II, pp. (iii), (vi), (viii).

² $3.6 million was contributed by Australia over a four year period. - Ibid., pp.6-7.

Both the jeeps, as SEATO semi-military aid, and the construction of feeder roads, under the Colombo Plan, were intended to help improve 'communications'; the link between vehicles and roads was not coincidental. Ostensibly the two projects were entirely separate but the dual purpose of the Colombo Plan project can be gauged from a passing reference in a later Ministerial statement in the Australian Parliament. Barwick, while reporting on a recent SEATO Council meeting, indicated the extent to which Thailand's communications infrastructure had been developed through bilateral programmes undertaken by SEATO members. This effort (for which the United States was largely responsible) was, he said, supported by Australia's 'own substantial programme of aid for feeder roads'. Barwick described the development of infrastructure as 'of great strategic significance' but he also pointed out the economic and political value of infrastructure assistance as a means of opening up rural areas, developing greater administrative cohesion, and improving technical proficiency in the country.

Given the political situation in Thailand and surrounding countries at that time, it is reasonable to assume that there was a significant degree of policy co-ordination between Australian military action, Australian SEATO aid and Australian Colombo Plan economic assistance even though each activity could be given an often separate and distinct public justification. The Khon Kaen project serves as a reminder of the likelihood that in the early 'sixties, some other Colombo Plan projects, which in the main were ostensibly only concerned with economic development, were also based on immediate strategic considerations.

In early 1962, Australian Colombo Plan and SEATO aid projects in South Viet Nam were described as serving very different purposes. On the one hand, the scope of the Colombo Plan assistance was very wide: providing, *inter alia*, live-
stock breeding expertise, railway carriages, a sawmill, a milk pasteurization plant in Saigon, and village windmills. These, although on a small scale, were intended to help increase living standards and improve the Vietnamese economy. \(^1\) SEATO aid, on the other hand, described by Senator J. Gorton as 'strictly military assistance', was directed more towards enabling villagers 'to resist attack by the North Vietnamese and the Viet Cong'. Items such as barbed wire for village surrounds, and telecommunications equipment were intended to help provide protection 'from sudden attack by armed guerilla bands'. \(^2\)

Towards the middle of that year the political situation in both Laos and South Viet Nam was one of increasing instability and rising communist pressures, a situation of growing concern to SEATO members, particularly Thailand, the United States and Australia. \(^3\) Early in May, the day before the opening of the first ANZUS Council Meeting for two and a half years, \(^4\) the Minister for External Affairs announced a third Australian commitment of economic assistance for SEATO defence, this time to the value of $6 million. \(^5\) While emphasising the importance the Australian Government attached to SEATO 'as the basis for concerted resistance to Communist pressures in the Treaty area', Barwick made specific reference to the additional assistance which could now be provided to South Viet Nam 'where there was an urgent problem of Communist insurgency'. He said requests had been received for material such as 'corrugated iron for the protection of villages, for generators to light the village stockades [and] for sirens to warn of the approach of terrorists', in addition to items already being supplied. \(^6\) Almost three weeks later, within a

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2. Ibid.
3. See above, p. 92.
4. This Meeting was also the first to be held in Australia. Up to 1959, ANZUS Council Meetings had been held annually, mostly in Washington. - *Current Notes*, Vol. 33, No. 5 (May 1962), p. 5.
5. Ibid., p. 37. Previous commitments were $4 million in 1956 and $2 million in 1958.
6. Ibid.
day of the announced commitment of Australian forces to Thailand, the Minister of Defence, Athol Townley, announced that a group of Australian Army instructors would be sent to South Viet Nam to help overcome an 'urgent problem of Communist infiltration and insurgency'. These military personnel were to provide instruction in jungle warfare, engineering, and signals, as well as village defence. The defence of villages was also the stated objective of the Australian SEATO economic aid programme which was currently being expanded. There was a close link between Australia's military assistance and its SEATO economic aid to South Viet Nam. As Townley stated, 'if the Communists were to achieve their aims in Viet Nam this would gravely affect the security of the whole South East Asian area and ultimately of Australia itself'.

During August, Vietnamese 'strategic villages', as they came to be called, were the recipients of further Australian assistance, this time under the Colombo Plan. Galvanised iron, hammers and nails were provided for administrative offices, schools, dispensaries and information halls in about one hundred strategic villages. These villages, formed by consolidating small hamlets into larger units, were part of a network of villages across the countryside which the South Vietnamese authorities had created as 'a necessary first step to the isolation and final eradication of Communist insurgents and thus a return to normal economic activity.' Although this Colombo Plan aid was assisting the creation of 'new health, educational and recreational facilities' as a means of social betterment of villagers, it must be considered within the context of the broader objectives of the strategic village resettlement programme. These villages were the basis of a direct counter-insurgency operation directed at communist 'subversion and armed insurgency'. The success of the operation hinged on the one hand, on the defensive effectiveness of the newly created villages, and on the other

2 Ibid., No.8 (August 1962), p.91.
on the extent to which the Saigon administration was able to foster support among the resettled villagers.\(^1\)

By August 1962 Australia had provided, or committed, some $400,000 worth of SEATO economic aid for South Viet Nam strategic villages. Towards the end of the following January, the Government announced its intention of providing, during 1962-3, an additional $500,000 worth of assistance for what by then was called the 'strategic hamlets programme', this amount being part of the general $6 million SEATO aid commitment which had been announced six months earlier. Barwick described Australia's latest contribution in support of the South Vietnamese Government as part of 'a stepped-up effort' which was necessary for 'the communist threat to Viet Nam [to] be repelled and ultimately eliminated'.\(^2\)

The purpose of all forms of Australian aid to the Republic of Viet Nam was made clearer during the SEATO Council Meeting in April 1963. In his statement at the opening session, Barwick stressed the importance and the nature of the conflict in the SEATO Protocol State.

South Vietnam remains the principal point at which Communist and anti-Communist forces in South-East Asia confront each other at this time. It is here in this strategically important country that the Communists have continued their aggression against a peaceful State, and it is here that there is a most determined challenge to freedom.

... I think it is right to say that the Communist threat to South-East Asia is of a more indirect and insidious nature than that facing Europe. Consequently, imaginative and resourceful methods to combat it effectively must be developed. These methods must not only be directed to developing the means to resist overt aggression, but must extend, and extend increasingly, to the expansion of our capacity effectively to counter subversion and insurgency. This calls for military, political, economic and social co-operation of a high order, and above all for resolution. I am sure that SEATO will provide it.\(^3\)

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1 See Barwick's later explanation, CPD, Vol. H of R 38, 22 May 1963, p.1663.


In that situation, all military and economic assistance from Australia, whether directed towards village defence or social betterment throughout the country, formed part of an urgent integrated counter-subversion campaign in South Viet Nam.¹

Within that recipient country, foreign aid helped to facilitate political, economic and social measures which were a necessary concomitant of military action. Australian foreign aid policy had come to take on a new dimension. There were circumstances under which 'economic development' assistance was required to help restore order and stability, before long-term economic development, in the truer sense, could be undertaken. This 'stability before development' rationale for foreign aid was employed where a minimum level of internal stability had to be achieved as a prerequisite for the kind of economic development which, in the long-term, would lead to greater national and international stability and security.

To a certain extent, Australian assistance to South Viet Nam was influenced by the long-standing relationship between Australia and America. For more than a decade the Australian Government had regarded United States involvement in South and South-east Asia as essential for security, stability and economic development in the region. The nature and extent of co-operation between Australia and America through the Colombo Plan, and the ANZUS and SEATO pacts, provided a clear indication that the two countries had similar

¹ See Barwick's later rather oblique reference to the importance of general economic and social measures for the growth of defensive capabilities within South Vietnam - CPD, Vol. H of R 42, 21 April 1964, p.1268; see also the final communiqué of the April 1964 SEATO Council Meeting - Current Notes, Vol.35, No.4 (April 1964), p.45. As the United States Secretary for Defence, Robert McNamara, put it:

We have learned that in Viet Nam, political and economic progress are the sine qua non of military success, and that military security is equally a prerequisite of internal progress.

interests in the Asian region: namely, in social and economic progress, in political independence, and in resistance to communist aggression.¹

When addressing the National Press Club in June 1963, Barwick drew attention to these common interests and illustrated the point by referring to Australian and American involvement in events concerning Laos, Thailand and Viet Nam in recent years. These and other examples, he said, reflected 'an ever-growing state of co-operation and inter-dependence between the two countries'. And inter-dependence was a concept he wished to emphasise:

In speaking of 'inter-dependence' I am fully aware that Australia's power is very small relative to that of the United States. Nevertheless, I used the term quite deliberately, and in doing so reflected the attitude taken to us by American leaders - most recently by Mr Averell Harriman, in our talks in Wellington and subsequently in Canberra. Mr Harriman emphasised, both publicly and privately, the loneliness that can beset a country called on to provide leadership albeit unwillingly, and the need of such [a] country for friends and supporters. It was made clear to us that Australia's support was warmly valued by the United States Administration - whether such support was in the military field such as Thailand and Vietnam, in the economic field through our various aid programmes, or in political and diplomatic fields, such as co-operation in United Nations matters or in taking a public stand on an issue such as Cuba.²

Although Barwick indicated that the United States depended on countries like Australia for support in the field of international economic aid, there still remains the question as to whether, under some circumstances, America actually requested support from Australia in the form of economic assistance to particular recipients. An attempt had been made in Parliament in 1962 to elicit information concerning a

¹ See above, p.59 ; see also Barwick's address at the inaugural meeting of the National Press Luncheon Club, Canberra, 17 June 1963, in Current Notes, Vol.34, No.6 (June 1963), p.9.

² Current Notes, Vol.34, No.6 (June 1963), pp.9-10.
possible connection between a United States' request and Australian aid to South Viet Nam, but the issue seems to have been carefully sidestepped by the Government.¹

During 1964, however, when questioned in Parliament, the Government did provide further information on the relationship between Australia's aid programme in South Viet Nam and the intentions, actions and wishes of the United States Administration. At the SEATO Council meeting in April, 'grave concern' had been expressed 'about the continuing communist aggression against the Republic of Viet Nam' and members agreed they should explore the possibility of providing further practical assistance to the Republic.² On 6 May, the United States communicated with the Australian Government through normal diplomatic channels, indicating 'various categories of military and non-military assistance that would be welcome in Vietnam'.³ Australia, as the Minister for Defence wished to point out,⁴ was the first to reply to the request which the United States had addressed to

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¹ In part, the question on notice, with no reference to ANZUS, asked:

1. What requests did the Secretary of State of the United States of America make of the Australian Government with respect to - (a) the number and type of personnel for service, and (b) the quantity and type of material for use in Vietnam?

The Minister for External Affairs replied, in part, as follows:

1. The Secretary of State of the United States of America did not make any requests of the Australian Government during the ANZUS meeting with regard to assistance for Viet Nam. (emphasis added)


a number of governments, doing so on 14 and 29 May. On 8 June, 'after additional consultations with both the Vietnamese and the United States governments', the Australian decisions were announced,¹ along the following lines. Apart from immediate additional military assistance which was to be 'offered' to the Republic of Viet Nam (a response which was described as being warmly appreciated by the United States President²), an expert team led by Colonel W.J. Crosby, formerly Australian Services Attache in Laos, and including a consulting engineer and a rural development expert, was to go to Saigon to explore 'ways in which Australian non-military aid might be increased'.³

While in Saigon during his South-east Asian tour in June, the new Minister for External Affairs, Sir Paul Hasluck, had consultations with the Crosby Mission. He stressed 'that what was needed was speedy aid which would provide immediate and visible results': in other words, non-military aid which would provide urgently needed support for the war effort of the Saigon Administration.⁴

Australian moves, during May and June, to increase its economic aid to South Viet Nam had stemmed from the April SEATO Council meeting and the United States' aide-memoire of 6 May and not from a specific request made by the South Vietnamese Government. However, a South Vietnamese request was issued some time during July. The Prime Minister, General Nguyen Khanh, addressed letters to the heads of state of thirty-four countries (including Australia) inviting their

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³ Current Notes, Vol.35, No.7 (July 1964), pp.50-51. On 8 July the Minister for the Navy described the proposed increase as substantial. - Current Notes, Vol.35, No.7 (July 1964),p.53.
⁴ Hasluck stressed that ' speedy aid' was required rather than something which might be of importance in ten years' time. Long term aid is something we can always tackle under the Colombo Plan. The purpose of the Crosby Mission is to find ways and means of providing immediate aid. South Viet Nam had been in a state of war for twenty years. What is needed is help now.
support. This was the only communication, received around that time, to which Hasluck referred when he later explained the source of the appeal for additional economic aid to South Viet Nam despite the Government having decided in principle, as early as 8 June, to provide additional assistance.

Subsequent to the Government's June decision and to its having received reports from the Crosby Mission, Australia's Special Aid to Viet Nam Programme was expanded to include a surgical team to work for twelve months in one of a number of new surgical blocks constructed by the United States; galvanized iron roofing for houses for servicemen and their dependents, and a project to assist the preservation of stored grains. Although, earlier, Hasluck implied that the projects arising out of the Crosby Mission were unlikely to be part of the Colombo Plan, it was not made clear whether they were eventually financed as part of the programme, or out of Australia's SEATO economic aid commitment. The distinction, apparently, was not important.

There seemed to be a growing inclination during 1964 for all forms of aid (military, non-military; SEATO or Colombo Plan) to all countries, to be grouped together in official statements. In so doing, the Government portrayed Australia as a country with a commendably substantial foreign aid programme, without distinguishing between the different objectives which some elements of that programme were designed to serve.

During the early sixties, the Government's use of foreign aid was modified to deal with the various crises in Asia; crises in which there was a significant level of anti-government activity within the recipient countries. Economic

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4 See above, p.101, fn.4.
aid to these countries was seen in Canberra as a means of helping to restore that degree of political stability which was considered a necessary prerequisite for lasting economic development. The distinction between Colombo Plan economic aid and SEATO semi-military assistance was not clearly drawn; both were aimed at bolstering recipient governments at the national and international level. This form of aid was given as a specific response to a particular type of security threat: namely, anti-government subversion or insurgency.

In so far as security considerations were important in decisions concerning Australian foreign aid, the Government was providing different forms of economic assistance to meet the different types of security threat which it perceived recipient countries were subjected to. Australian aid responses (including those involving military aid) can be placed along a continuum denoting different threat levels in recipient countries. At the belligerent end of the continuum, when a country was threatened with direct external aggression, Australia responded with military aid including arms and ammunition: a form of aid which was clearly concerned with defence and not with economic development. In the central part of the continuum, denoting the presence of anti-government insurgency, Australia responded with aid which was variously described as 'economic development' or 'quasi-military' assistance to help bolster the recipient government. Much of Australia's economic aid to South Viet Nam and North-east Thailand in the early sixties was of this counter-subversion form. And at the passive end of the continuum, when countries were not immediately threatened but were regarded as vulnerable to communist influence, Australia responded with economic development assistance to develop the standard of living so that, according to contemporary wisdom,

those societies would become free, independent, stable and secure. This is not to suggest that all Australian aid can be categorised in this manner. The three threat levels used by way of example are part of a continuum, and for any one country, aid would have been provided in response to an admixture of different security considerations, in so far as any considerations of military security were regarded as important.

During Hasluck's first year as Minister for External Affairs (1964), except for the partial but significant 'crisis' variation to encompass counter-subversion functions, the objectives of foreign aid policy were substantially the same as those which had been put forward since 1950. In a particular sense, however, the political considerations underlying aid policy came to involve Australia's relations with America. It became evident that, as in the case of Viet Nam in 1964 when the United States felt vital interests were at stake, Washington was at times able to influence Canberra's decisions on foreign aid. In addition to such political considerations, Australian trading interests and a humanitarian concern for improved living conditions in Asia were also in evidence.¹ For all these reasons, Australia was still keen to maintain and expand its economic development assistance programmes, particularly in the South and South-east Asian region.

¹ See Paul Hasluck, 'Australia and Southeast Asia', Foreign Affairs, Vol.43, No.1 (October 1964), p.55.
CHAPTER FOUR

FOREIGN AID AS 'DEVELOPMENT ASSISTANCE'

1965 - 1972

The early limit of this period is not established on account of any major variation in the Government's proclamation of foreign aid policy. Rather, it is suggested by developments within the public service following an interdepartmental review of Australian external aid undertaken between September 1964 and March 1965. That review and its consequences will be examined more fully in Chapter Seven, but it is appropriate, in this Part of the study, to assess the impact of the review on public policy statements.

Hasluck later recalled that one of his earliest tasks, after taking office as Minister in April 1964, was to further Australian external economic assistance, which he regarded as a 'very valuable phase' of the nation's foreign policy.\(^1\) The Interdepartmental Committee of Review was to prepare a comprehensive report to inform Ministers 'of the nature, extent and estimated effectiveness' of Australian external aid.\(^2\) During the review the Government made 'a basic re-examination of the principles underlying the policy of external assistance',\(^3\) but judging from Ministerial speeches in Parliament, that 'basic re-examination' confirmed, for the most part, existing policy emphases and rendered unnecessary a major re-statement of aid policy.

In one of Hasluck's brief references to the recommendations of the Interdepartmental Committee, he

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\(^2\) CPD, Vol. H of R 47, 18 August 1965, p.192. The report prepared by the Interdepartmental Committee was a Cabinet document and has not been released publicly.

indicated that 'while maintaining the essential priority of Papua-New Guinea, the Government will aim at intensifying the concentration of our aid on South and South East Asia'.

This redistribution of Australian aid had begun with the emergency food aid grant to India which was announced in February 1965 while the Interdepartmental Committee was meeting.


2 The emergency food aid grants to India are discussed in Chapter Nine below.

The shifting concentration of Australian aid can be seen from the following table:

<table>
<thead>
<tr>
<th>Year ending 30 June</th>
<th>S. and S.E. Asian aid as a percentage of total aid excluding PNG grants</th>
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<tbody>
<tr>
<td>1964</td>
<td>52 %</td>
<td>15 %</td>
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<tr>
<td>1965</td>
<td>78 %</td>
<td>24 %</td>
</tr>
<tr>
<td>1966</td>
<td>72 %</td>
<td>23 %</td>
</tr>
<tr>
<td>1967</td>
<td>74 %</td>
<td>25 %</td>
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Notes:
1. For details see Appendices 1-3, below.
2. Specific items of Australian aid to South and South East Asia include Indus Basin, Asian Development Bank, Colombo Plan, SEATO, Laos Stabilization Fund, and emergency aid to India.
In terms of official pronouncements concerning the distribution of Australian external aid, Hasluck's statement was significant because of the way in which the 'essential priority of Papua New Guinea' was taken for granted. The origins of the designation of Papua New Guinea as an 'external aid recipient', was in itself a comment on Australian external aid policy. The Australian grant to the Territories first came to be incorporated in Australian foreign aid statistics in 1963. It was explained simply as being part of Australia's 'contribution to the co-operative economic development of the region'.

No policy distinction was made between economic aid to territories for which Australia was directly responsible, and economic aid to independent sovereign states. With respect to the latter, the policy had been well established that Australia was assisting their economic development for particular political, economic and altruistic reasons, and since all aid was classified as 'economic development assistance', aid policy only became intelligible as these different reasons were elaborated. However, no comparable explanation emerged to account for the inclusion of Australian aid to its territories as part of the nation's foreign aid contribution. For Papua New Guinea grants to have been described simply as 'economic development assistance' begged the question of the particular reasons behind Australia's territorial aid policy.

The association of Australia's territorial aid with its foreign aid was explained by the Minister for External Affairs in his response to questions as to whether Australian foreign aid contributions were big enough:

> If you take Colombo Plan expenditure on its own, the percentage of national income is small but if, as I believe, we are entitled to do, you include all our aid expenditure

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1 Barwick, Address to the Australian Institute of International Affairs, 22 March 1963, Current Notes, Vol. 34, No. 3 (March 1963), pp. 32-3.

2 See Chapter Five in which Australia's territorial aid policy is examined at length.
[i.e., add grants to Papua New Guinea] in the way which I have just suggested, you find that Australia is spending 0.52% of its national income on grant aid (which, of course excludes repayable interest bearing loans). This compares with a figure of 0.64% for the United States, 0.43% for the United Kingdom, 0.29% for Germany and 0.20% for Canada.1

The amount of the Papua New Guinea grant, which in 1962/63 was double that contributed directly and indirectly to foreign, less-developed countries, was added to boost the Australian Government's national and international standing as an aid contributor.

Over the next two years both Gorton and Hasluck included Papua New Guinea aid in their statements of Australian foreign aid contributions but no additional policy explanation was offered.2 By 1965, Australian aid to Papua New Guinea had come to be accepted as a normal item in Australian economic aid statistics without being specifically justified in public statements of Australian aid policy objectives.

One new feature which appeared in the Budget following the 1965 Review was the establishment of the Australian South Pacific Technical Assistance Programme (ASPTAP) with an initial allocation of $100,000.3 In large part the earlier lack of substantial Australian foreign aid to the South Pacific region beyond the Territories of Papua and New Guinea was a reflection of the colonial status of the island groups and the belief that they were the responsibility of their respective administering countries.4 Australia did provide a few

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1 Current Notes, Vol.34, No.3 (March 1963), p.33.
2 See Gorton's Colombo Plan Day Address, Current Notes, Vol.35, No.6 (June 1964), p.51; Hasluck's article on 'Australia's Part in the Colombo Plan', Ibid., No.7 (July 1964), p.43; and Department of External Affairs, Australian Foreign Policy, Select Documents on International Affairs, No.1 of 1965 (Canberra), p.53.
3 Current Notes, Vol.36, No.8 (August 1965), p.464. This programme later became known as the South Pacific Aid Programme (SPAP).
scholarships and training awards under the Commonwealth Co- 
operation in Education Scheme (CCES) but little expenditure 
was involved. Australia's 32 per cent share (by 1965 about 
$200,000) of the administrative expenses of the South Pacific 
Commission represented a small multilateral contribution 
towards economic development in the region but it did not 
appear among Australian statistics on aid for international 
economic development assistance and relief until 1967.²

As movements towards independence became apparent in some 
of the island communities during the early 'sixties, 
Australian diplomatic interest began to grow. Western Samoa 
had acquired national status in 1962, and was accepted as a 
member of the South Pacific Commission in 1964/65, but only 
after the basis for membership of the Commission had been 
altered to provide for independent states as well as 
metropolitan powers.³ This change heralded a new era of 
indigenous assertiveness, an emerging feature of regional 
political life which was also evident at the South Pacific 
Conference at Lae in 1965.⁴

Around that time Australia began to be concerned about the 
growing level of political unrest in Fiji.⁶ An Australian

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¹ From the beginning of the CCES in 1959 until 1965, the 
South Pacific received 21 out of 169 scholarships and 27 out 
of 197 of the Training Awards made available by Australia.-- 

² See Department of External Affairs, Australia's Aid to 
Developing Countries (Canberra, 1964), pp.6, 23-5.

³ See 'Statement No.8 - External Economic Aid Estimates' in 
CPD, Vol. H of R 56, 15 August 1967, p.71. That was the 
first year in which a detailed statement of the aid estimates 
appeared among the Budget Papers. For earlier statements of 
expenditure and estimates see Department of External Affairs, 
Australia's Aid to Developing Countries to 30 June 1966 
(Canberra, October 1966), p.4, and Department of External 
Affairs, Australia's External Aid (Canberra, April 1966), p.2. 
For a similarly itemised table showing annual expenditures 
1945/6 to 1963/4 see Department of External Affairs, 
Australia's Aid to Developing Countries (1964), pp.36-7.

⁴ W.D. Forsyth, 'South Pacific : Regional Organisation', New 
Guinea, Vol.6, No.3 (September-October 1971), p.15.

⁵ Ibid.

⁶ Interview, W.D. Forsyth, Canberra, 3 January 1974.
Commission was established in Suva in March 1964.¹ This was the first increase in Australian representation in the region since a consulate was established in Noumea in 1940.² Not only were there early stirrings of independence evident in Fiji; Australian economic involvement in the colony was being subjected to considerable criticism which, in the view of the Australian Commissioner, R. Hamilton, was unjustified.³ His public defence of Australian involvement was an indication that Australia considered this criticism could have an adverse effect on its political and economic relations with communities in the region.

In August 1965 the Government announced the new bilateral technical assistance programme for the South Pacific. The programme focussed on Western Samoa and Tonga as well as the British dependencies, with Fiji receiving the major proportion.⁴ This course of action paralleled Australia's earlier response to the emergence of independent states in South and South-east Asia. Australian bilateral aid was extended to the South Pacific because the Government felt the need to develop its relations with communities which were becoming more independent-minded,

While no major policy statements followed the 1965 Review, the way in which aid statements were being presented around that time suggests that policy emphases may have been changing imperceptibly. From the early 'sixties, as compared with the previous decade, an increasing proportion of Ministerial references to economic assistance seem to have relied on the unqualified justification that aid was given to help promote 'economic development'. That abbreviated explanation began to supplant statements of the various basic reasons why

¹ Current Notes, Vol.35, No.3 (March 1964), p.73.
² Current Notes, Vol.9, No.4 (15 August 1940), p.93.
⁴ Nigel Bowen, Australian Foreign Aid, (Canberra, 1972), p.60.
Australia was concerned to promote economic development in Asia. Earlier, the Government had explained that Australia was keen to assist economic development and the concomitant growth of political stability and security in the region; that Australia wished to improve its relations with South and South-east Asian nations; that it believed the economic development of countries in the region could lead to expanded trading opportunities, and that Australia also had an obligation to assist countries which were 'less fortunate'.\(^1\) For all these reasons, Australia was promoting economic development in the region. However, more frequently from the early 'sixties, the answer given to the rhetorical question: 'Why do we give foreign aid?' was: 'To promote economic development.' and the various reasons for that action were not explained.

The increasing use of 'economic development' as the only stated justification was partly due to aid policy having become well established. By the early 'sixties, the Australian aid programme had been functioning for more than a decade. The Government could have begun to expect that both Parliament and the public were taking the various underlying considerations for granted.

The more prevalent 'economic development' rationale was also partly due to United Nations deliberations concerning development and the role of international economic assistance. At the United Nations, following President Kennedy's 1961 Development Decade proposal, increasing attention had been given to the problems of the less-developed countries. This made an impact on public statements of Australian foreign aid policy. In 1964 the Government published a booklet, *Australia's Aid to Developing Countries*,\(^2\) the first since the programme began. In the introduction the Government explained:

\(^1\) See Chapter Three, pp.72-6, above.

\(^2\) Department of External Affairs, *Australia's Aid to Developing Countries*, (Canberra, October 1964). The contents of this publication were reprinted in *Current Notes*, Vol.36, No.1 (January 1965), pp.5-39. The production of this booklet coincided with the establishment of the Inter-departmental Committee which reviewed the Government's aid policy and programme.
In many underdeveloped countries of the world, poverty and malnutrition persist, disease and illiteracy are widespread, and an increasing population exerts remorseless pressure on resources. The industrialized and affluent countries of the world have, in their aid programmes, recognized a responsibility to help these countries overcome their difficulties, by providing money, expert advice, training facilities and supplies of equipment. The exertions of the developing countries remain the principal medium for an improvement in their conditions but donors can, with timely outside help, sharing knowledge, and the application of modern technology, contribute to their development.¹

No reference was made to earlier objectives such as regional, and hence Australian, security, the establishment of good relations with Asian countries, and the expansion of world trade. In its 1964 publication, the Government described the problems of development and foreign aid as though no objectives other than the economic betterment of less-developed countries were at issue, a practice which had been followed in Colombo Plan Reports from 1951. This practice, of focusing solely on the needs of underdeveloped countries, was similar to that employed at the United Nations when development issues were considered.

At the United Nations, all countries, whether developed or less-developed, communist or western, were agreed that the economic development of less-developed countries should be promoted to bring about the economic and social betterment of people in those countries and to advance international peace and security and world prosperity.² Since the turn of the decade, the less-developed countries themselves had come to form a significant voting bloc, and for them, economic development

¹ Department of External Affairs, Australia's Aid to Developing Countries, (1964), p.5.
certainly was an important objective. The developed nations, communist and western alike, undoubtedly had other more specific political and economic objectives in mind as well, but it was not possible for all members to reach agreement on (for example) the desired political consequences of economic development in 'Third World' countries. United Nations members could not agree on ways of expressing the international objectives 'peace', 'security' and 'prosperity' in more specific terms but, even with different specific objectives in mind, they all could agree that 'economic development for the good of the less-developed' was desirable, and consequently that became the common goal which was transformed into specific detailed proposals and pursued through the many United Nations agencies and institutions. Thus in the first United Nations Development Decade resolution, members appear, in an altruistic manner, to have placed most stress on the problems of the less-developed countries.\(^1\) The extent to which that was done in United Nations resolutions was considerably greater than individual donor nations could permit when formulating their own foreign aid policies. Donor nations placed the needs of the less-developed alongside their own political and economic objectives.

Thus when it increasingly explained its aid policy in terms of 'economic development', Australia was conforming much more to current practice in international declarations concerning development and economic assistance, and in this regard, the humanitarian considerations underlying Australian aid policy appeared to be growing in importance.

On other less frequent occasions, however, the Government referred to those Australian political and economic advantages which it expected would flow from its aid programme. In the mid'sixties, Hasluck indicated the extent to which Australian security and prosperity were dependent upon Asian economic and political advancement. In a speech in Parliament on Australian foreign policy he reiterated the, by then, familiar arguments on the relative importance of both military and

\(^1\) Ibid., pp.231-2.
economic measures in helping to create security in the region:

Nor does the Australian Government think only in military terms when considering the security of the area. In the long run, security itself is dependent on a healthy economic, social, and political life and on co-operation among the countries of the region. Military measures are necessary to provide a shield behind which economic development can take place and national independence can be consolidated. But the military measures, which first must be successful, could prove in vain if progress is not made politically and economically. Consequently Australia is contributing to economic development and stability in Asia in various ways. I mention only a few. We contribute through the Colombo Plan, by special measures such as our two big gifts of grain to India, our flood relief for Indonesia, our annual grants to help stabilise the currency in Laos, our contribution to the Mekong River project and by participation in various multilateral funds. As soon as the ratification procedures are completed by the various countries, and the measure is before this House, Australia will be a foundation member of the new Asian Development Bank, to which we are contributing $US85 million. That is an indication of what we are doing on the non-military side to advance economic, social and political welfare.1

And in his statement on the economic situation in Asia at the March-April 1967 session of ECAFE he spoke of the relationship between Australian economic growth and economic development within the ECAFE region.

Australia's growing participation in the region of which we are members has also been stimulated by the fact that our external trade has over the last 20 years shifted considerably towards Asia. Twenty years ago Asia took only about 14 per cent of our exports, whereas now 33 per cent of all our exports are sold to Asia. There has also been a significant rise in our imports from Asia in the same period from 18 per cent to 23 per cent. We fully expect that this trend will continue. But how marked this trend will be, of course, dependent on the economic development of the area. Our own economic growth and development are linked with the development of this region. We recognise that fact clearly and state it plainly, for all of

1 CPD, Vol. H of R 51, 28 April 1966, p.1291. See also Hasluck's statement of 2 September 1966, 'Australia's External Aid', for a similar connection between stability (which was often used synonymously with security) and economic and social development in the region. - Current Notes, Vol.37, No. 9 (September 1966), p.572.
us to live a better life we have to grow up together.\footnote{1}

Thus Australia's interest in Asian economic development, and consequently its willingness to provide development assistance, was again acknowledged as serving Australia's own growth and prosperity.

During the 1967 Budget debate, Hasluck delivered the first substantial government statement for many years devoted entirely to foreign aid. In some respects it followed the form of earlier Ministerial statements in that it lacked a comprehensive coverage of aid policy, but in others it was unusual. Hasluck avoided the familiar cliches concerning 'poverty' and the 'needs of the less-developed' and instead described in detail the 'very great problem set by the enormous gap between the affluent and the poor'.\footnote{2} In doing so, he made a telling comparison between government expenditure and trade figures for New South Wales and an unnamed African country of similar size and population. In addition, he expanded on the world food problem, the unequal distribution of resources over the earth's surface and the notion that each nation should have an equal opportunity to develop to its own capacity.\footnote{3}

More often official statements concentrated on Australia's record as an aid donor: a practice aimed at making Australians satisfied with the Government's aid performance. Hasluck's approach focused attention on the world's poor, and had it been repeated instead of remaining an isolated contribution, it is possible the Government may have received wider support for existing, or even enlarged, levels of aid. Such speculation, however, begs the question as to how much public support the Australian Government wished to generate concerning different aspects of foreign policy, and foreign aid in particular.

\footnote{1}{Current Notes, Vol.38, No.4 (April 1967), p.154.}  
\footnote{2}{CPD, Vol. H of R 56, 5 September 1967, p.762.}  
\footnote{3}{Ibid., pp.762-3.}
While not elaborating on the range of considerations which formed the basis of aid policy, Hasluck did touch on three issues in a way which further illuminated the nature and context of Australian aid policy.

Some aid, Hasluck explained, was given by more fortunate to less fortunate countries for the purpose of meeting emergency situations. The recent grain shortages and famines in India were good examples and ones which prompted aid responses based on 'human compassion' as well as 'concern for international stability'. Although given on occasions when the public reaction was more emotional and sympathetic than usual, even emergency aid was not justified solely on altruistic grounds. It was likely, however, that humanitarian considerations were given greater weight in emergency aid decisions than was the case for continuing aid programmes. Another factor which lent its weight to decisions on emergency relief, and indeed all types of aid, was prestige, the most intangible, but nevertheless persistent, of the Government's aid objectives. In many ways it was subsumed within the general desire to create goodwill or to improve diplomatic relations, but particularly at the level of international organisations, prestige was something more, one possible basis for an improved international diplomatic status. Enhanced prestige, although not acknowledged as an objective of aid policy, would have been regarded within official circles as a credit on the nation's diplomatic balance sheet.

Hasluck also turned his attention to the relationship between security and economic advancement. Since the late 'forties, governments of Western countries, including Australia, had based their aid programmes inter alia on the assumption that increasing standards of living, or economic development, within less-developed countries would contribute

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1 Ibid., pp. 760-1.

2 For further discussion of particular Australian emergency aid grants to India and the East Pakistan refugees, see Chapters Eight and Nine below.
to political stability and security throughout the world. Australia's experiences in Viet Nam from 1962 had led to a modification of that assumption: under circumstances like those existing in South Viet Nam, a measure of security and stability was necessary before lasting economic development could be achieved. In his September 1967 speech, Hasluck drew both assumption and modification together:

This problem [of instability and insecurity] is interlocked with the problem of economic advancement. It is not quite a paradox, but it can be stated as a paradox that a country cannot proceed to great economic advancement so long as it is in a state of insecurity and political instability. On the other hand, the lack of economic and social advancement so often contributes to insecurity and political instability. The two things are interlocked. They involve the whole of our thinking about the nature of international affairs and relations between the nations.¹

Viet Nam loomed large in Australia's foreign policy. There was a very close connection between Australia's military commitment of 6,300 men in South Viet Nam and its SEATO and Colombo Plan expenditures of $1 million in 1966/67 and $2 million in 1967/68.² Even though he was inclined to generalise,³ Hasluck's paradox was not quite as appropriate beyond the Indo-China region. At that time, other South and South-east Asian countries could hardly have been described as subjected to the 'disruptive effects of subversion,'

¹ CPD, Vol. H of R 56, 5 September 1967, p.763. See also Hasluck's comments in his report to Parliament following his visit to Japan and his attendance at an ECAFE session. - CPD, Vol. H of R 54, 13 April 1967, pp.1222-3; and his speech in the House, CPD, Vol. H of R 58, 26 March 1968, p.453. On both occasions, similar observations were made.

² See also Hasluck, CPD, Vol. H of R 52, 18 August 1966, p.218, and Prime Minister Holt, CPD, Vol. H of R 57, 17 October 1967, p.1857. In both speeches, Australia's non-military aid is associated with the South Vietnamese Government's 'Revolutionary Development Programme' - a programme which, like the earlier strategic hamlets programme, aimed to improve and extend security, to assist economic and social progress, and 'to instil a spirit of confidence and loyalty in the population as a whole'. The aid figures are taken from Appendices 2 and 3 below.

insurrection and infiltration'. Indonesia was perhaps the one country which, for a number of years up to 1967, could have been considered politically unstable, but the reasons for that instability differed markedly from those applicable to Viet Nam, and in his Budget debate speech, Hasluck gave an entirely different explanation of Australian aid to Indonesia. 

The third issue to which Hasluck drew attention was the existing nature of international economic co-operation: the economic environment within which programmes of international economic assistance operated. He said that the major problems of economic relations between countries were aggravated by great power and ideological divisions. These problems, he observed, were not adequately handled because there was no sufficiently competent world-wide agency in existence. Instead, specific organisations or agencies dealt in a piece-meal fashion with isolated aspects of international economic relations. And one of the areas in which Hasluck felt Australia was working 'very diligently and ... very successfully' was that of international economic assistance. Australia, for example, 'had played a very active part in helping to form' the Asian Development Bank and while taking on a substantial commitment, had become a foundation member. Further, in 1966 Australia had gained membership of the Development Assistance Committee, the international forum for Western donor countries. Australia was now taking its part in world-wide discussion and examination of economic

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1 Ibid.
2 Australia's increased aid to Indonesia in 1967 is discussed below, pp.121-2.
4 Ibid., p.760. Australia, however, had not always been so enthusiastic about the formation of the Asian Development Bank. This issue is discussed in Chapter Seven, pp.222-7, below.
assistance programmes. These endeavours were associated, in Hasluck's speech, with two other issues concerning less-developed countries - food aid and trade preferences.

Australia, Hasluck indicated, had 'taken a prominent part' in efforts to establish a multilateral food aid programme. The significance of the new arrangement lay partly in the firmer assurance it gave that food aid would continue to be available. Mostly, however, the new programme was regarded as significant by the Australian Government because it ensured that the burden of providing temporary food assistance to the world's hungry would not fall only on food exporters such as Australia. Instead, in line with Australian representations, it was to be shared by both exporters and importers who were party to the general International Grains Arrangement, as it later became known.

The other issue which was of great potential benefit to less-developed countries was that of trade preferences. In 1965 Australia had announced a scheme of preferences for a specified range of manufactured and semi-manufactured goods from developing countries. That scheme had emerged from international deliberations concerning the need for less-developed countries to increase their export earnings: a need which had been specifically acknowledged in General Agreement on Tariffs and Trade (GATT) negotiations since 1958 and which had also been the subject of discussions at the 1964 United Nations Conference on Trade and Development.

1 CPD, Vol. H of R 56, 5 September 1967, p.760. The Development Assistance Committee was established in 1961 as a committee of the Organisation for Economic Co-operation and Development (OECD). For a discussion of the circumstances leading up to Australia's joining the Committee in 1966, see Chapter Seven, pp.227-230 below.


3 Ibid.; Crawford, Australian Trade Policy, pp.615-6. For three years from 1 July 1968, Australia was to supply 225,000 metric tons of wheat per year (approximate value $12 million) as part of the total programme involving 4,500,000 metric tons of grain. - Current Notes, Vol.38, No.7 (July 1967), pp.277-8.

The scheme which Australia unilaterally introduced broke through the impasse in international discussions on the type of preference system which would be generally acceptable to industrialised countries; it was, however, limited in two important respects. First, manufactured and semi-manufactured exports from the less-developed countries were to receive preferential treatment only so long as they did not compete with Australian manufactures. Second, the scheme provided for preferences only on manufactured products. With its introduction, the Australian Minister for Trade and Industry pre-empted proposals which included preferences for primary products from less-developed countries; a feature to which Australia, as a primary producer with established markets in developed countries, was strongly opposed.


2 Crawford, Australian Trade Policy, pp.179, 196. Regarding this restriction, a story has been related of remarks made by an official of a European government who is alleged to have commented that while Australia had been clever in according preferences on things which Australia did not produce, the European Community would be cleverer by according its preferences on things which the developing countries did not produce!

3 See for example paragraph (iv) of the GATT Program of Action, May 1963:
(iv) Elimination of tariffs on primary products. Industrialised countries shall agree to the elimination of customs tariffs on the primary products important in the trade of less developed countries.
- Ibid., p.186.
Australia's membership of the Asian Development Bank involved an increased commitment to multilateral aid at the regional level. On becoming a member of the Development Assistance Committee, Australia became involved in international deliberations on the forms and effectiveness of Western aid programmes. Australia's action over the food aid agreement centred mainly on 'burden sharing' among the more affluent countries. Its constructive initiative on trade preferences for less-developed countries was nonetheless carefully tailored to protect Australian economic interests. Thus around the middle of the decade, Australia, like other developed countries, was being drawn more and more into spheres of international economic co-operation directed towards underdeveloped countries. These newer forms of co-operation began to establish for Australia a more complex international economic framework within which its foreign aid policies were to be formulated and implemented.

Hasluck concluded his September 1967 statement with a detailed examination of the situation in Indonesia, a country which had attracted 'the very close attention of the government'. He also expanded on the Budget announcement of Australia's intention to increase fourfold (to approximately $6 million) its foreign aid to assist Indonesia's economic recovery.\(^1\) From 1963 to 1965, during most of the period of Indonesia's 'confrontation' of Malaysia, foreign aid had been used predominantly for immediate diplomatic purposes, to maintain channels of communication between Australia and Indonesia in spite of Australia's expressed and active opposition to 'confrontation'.\(^2\) In 1966 and early 1967 following the emergence of a Western-oriented regime, the Australian Government provided further, though limited, amounts of economic assistance. In the following year, however, Australia had the opportunity of participating in a more substantial way in Indonesia's internationally backed recovery

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\(^2\) CPD, Vol. H of R 45, 23 March 1965, p.236. For a more detailed discussion of Australian aid to Indonesia during these and subsequent years, see Chapter Seven, pp.246-262, below.
programme. When the economic and political conditions in Indonesia were more amenable to Western assistance, Australia was keen to play its part and increase its Indonesian foreign aid allocation. In relation to other recipients of Australian aid, that $6 million commitment for 1967/68 placed Indonesia second only to India, a country which also had been receiving abnormally large grants (emergency food aid) from Australia for the previous four years.\(^1\) In subsequent years, however, Australia's aid to India dropped with the cessation of emergency aid, and that to Indonesia continued to rise dramatically, leaving all other Colombo Plan countries well behind. Indonesia had come to receive such a large and continuing proportion, varying between 33 and 39 per cent, of Australia's bilateral aid that it became apparent that Australia had altered its aid policy to accord highest priority to its closest neighbour.

One additional feature of the 1967 statement was that foreign aid was now portrayed less explicitly as an instrument of foreign policy than it had been at times throughout the 'fifties and early 'sixties. Even the link between economic development and security was discussed only in relation to the less-developed countries themselves; no explicit connection was made between their security and that of Australia.\(^2\) Increasingly foreign aid seemed to be discussed in public statements only within an 'economic development' framework,\(^3\) a tendency which has already been

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1 See Appendix 2 below.

2 That particular connection, however, was made on later occasions by different Ministers. See for example Prime Minister Gorton's statement on Defence in South-east Asia - CPD, Vol. H of R 62, 25 February 1969, p.34; see also the address by the Treasurer, W. McMahon, entitled 'The Emerging Australian Role in the Development of Asia and the Pacific Region and the Role Private Enterprise is Expected to Play', delivered at a seminar arranged by the Australian Council for Overseas Aid (ACFOA) on 14 April 1969. - Australian Council for Overseas Aid, The Australian Role in Joint Ventures and Investment in Developing Countries of Asia and the Pacific (n.d.), pp.2-3. That address also appeared in Current Notes, Vol.40, No.4 (April 1969), pp.141-2.

3 See also CPD, Vol. H of R 58, 26 March 1968, p.447.
discussed above.

Gordon Freeth, who became Minister for External Affairs in February 1969, on occasions continued the practice of his predecessor of rendering more covert the various political and economic considerations at the basis of Australian foreign aid policy. In a brief statement on the reasons for granting economic assistance, Freeth explained:

The increased allocation which the Government has given to aid reflects, I think, the growing public awareness of and concern with economic improvement in the developing countries. For both humanitarian reasons and on the grounds of enlightened self-interest an effective aid programme must form an important part of our overseas relations.¹

'Enlightened self-interest' was the new all-embracing terminology used to cover such areas of interest as diplomacy, security and trade.²

September 1970 was an opportune time for a restatement of Australian development assistance policy. On the eve of his departure for Tokyo (where the Development Assistance Committee High-Level Meeting was to be held) and the United Nations General Assembly (where the Strategy for the Second

² This terminology was also employed in a Departmental article, 'International Aid - Australia's Role as a Donor', Current Notes, Vol.40, No.11 (November 1969), p.621. This use of 'enlightened self-interest' in the context of Australian aid and foreign policy is different in some respects from that suggested by H.W. Arndt in his speculative article 'Aid and the Official Conscience', Australian Quarterly, Vol.41, No.4 (December 1969), pp.45-8. For Freeth, 'enlightened self-interest' was separate from 'humanitarian' reasons and was used to embrace national interests of a political or commercial kind. At first Arndt used 'enlightened self-interest' in a similar manner (Ibid., p.45) but then he suggested it was a phrase used by officials who are 'do-gooders' to rationalise their personal views (Ibid., p.46) and one used to 'disguise' humanitarian sentiments in order 'to salve official consciences'. (Ibid., p.47).
Development Decade was to be adopted),1 the Minister for External Affairs, William McMahon, made a statement in Parliament.2 Entitled 'Australia's External Aid', it was not the 'extensive review' he later claimed it to be,3 but it was an informative account of aid policy. In it, he firstly narrowed down the definition of foreign aid from the total transfer of resources, to that involving only concessionary economic assistance provided by governments, that is, official development assistance.4 The Pearson Commission had strongly advocated that governments should concentrate on official development assistance,5 a practice which Australia had followed consistently since joining the OECD Development Assistance Committee. Primarily because the level of Australian private overseas investment was low, official development assistance constituted a very high proportion of the total transfer of resources from Australia to less-developed countries,6 a factor which placed Australia in a very favourable light when international comparisons of the efforts of Western donors were made.7

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6 For the figures for 1965 to 1968, see OECD, Australia's International Development Assistance, pp.66, 68.
7 The statistics used for comparative purposes have been progressively refined from net official aid as a percentage of national income, to net official development assistance as a percentage of gross national product, but on both criteria Australia was able to demonstrate that it has ranked among the first four aid donors between 1964 and 1972. - CPD, Vol. H of R 60, 13 August 1968, p.97, for the years 1963 to 1966; CPD, Vol. H of R 73, 17 August 1971, p.113, for the years 1966 to 1970; and Frank Crean, Australia's External Aid 1973-74 (Canberra, 1973), p.14, for 1971 and 1972.
After indicating Australia's preferred definition of what constituted economic assistance, McMahon proceeded to the question 'Why Give Aid?' and singled out two reasons:

Predominantly, Australian aid is given for moral or humanitarian reasons. The second reason is our own national interest. We cannot measure the value of any moral and humanitarian expenditure in money terms nor do we want to measure our aid in this way. The other reason is more tangible. It is this: Aid does promote Australia's national interest. By this I mean it enhances our interest in a peaceful international and geographical environment. Our geographical environment is undoubtedly Pacific and Asian.¹

By clearly placing altruistic considerations before others in his explanation of the Government's foreign aid rationale, McMahon conveyed the impression that the needs of underdeveloped countries were being given higher priority than considerations relating to Australia's national interests. Those interests, as McMahon perceived them, were both commercial and political. After explaining that the 'primary aim' of Australian aid was to assist economic development in the region, McMahon added:

We do not use aid as a substitute for trade promotion. This is not to say, as a secondary consideration, that we are insensitive to the trade implications of our assistance programme. Our aid should always maintain the primary characteristic of being humanitarian and moral. Nevertheless our aid has had the important side effect of facilitating business contacts with our neighbours. This has been especially so with the programme of assistance to Indonesia - Devisa Kredit or DK aid.²

Then while describing new directions of aid policy, McMahon indicated that the Government was looking 'at proposals for co-ordinating official aid with investment by Australian private enterprises'.³ However, this new aspect of policy

² CPD, Vol. H of R 69, 3 September 1970, p.983. For a discussion of Devisa Kredit (formerly Bonus Export or BE) aid to Indonesia, see Chapter Seven, pp.246-253, below.
was discussed entirely in terms of benefits for less-developed countries; there was no suggestion whatever that Australian private investment in these or other countries would also be to Australia's advantage.

Australian political interests, which relate specifically to diplomatic and strategic areas of Australian foreign policy, were less obvious in the policy section of McMahon's statement. On the one hand, political disclaimers were strong:

I do not believe that aid can 'buy' allies.
Nor can we expect aid to guarantee stability.
... We do not want recipients to tell us of the [sic] everlasting gratitude and friendship for Australia.¹

On the other hand, a sentence on foreign relations and regional stability was included but it was not prominently featured. Australian aid, the Minister explained, 'has enabled Asians to see not only that we want to be friendly and helpful neighbours but that we have the skills and resources which can contribute to the stability of the region'.² In this policy statement, as in an increasing number of Ministerial statements or references of a general nature, political considerations were not prominent, but in a specific section on special aid to Cambodia McMahon indicated more clearly the significance of these considerations.

The Government had decided to increase aid to Cambodia by $900,000 to $2 million for 1970/71. The additional aid was to be used to supply 'logistic support items of equipment, dual purpose items and if necessary arms'.³ McMahon explained the decision to increase aid in the following terms:

¹ Ibid., pp.982, 983. The disclaimer that aid-givers were not buying friends and allies had earlier been made in Department of External Affairs, Australia's International Aid (Canberra, April 1970), p.3.
³ Ibid., p.981. Hitherto the supply of weapons had been carefully dissociated from Australian economic aid contributions. The OECD Development Assistance Committee would not allow military expenditures to be included in economic aid statistics. See the definitions of aid in OECD, Australia's International Development Assistance, p.11.
The Cambodian Government attaches great importance to the provision of additional aid. The decision to increase our contribution has been made in this knowledge and in pursuance of our policy of aiding South East Asian nations to resist Communist aggression. In recent months Communist activity has increased in the countryside but the Cambodian Government has shown resilience and a firm determination to resist it. In deciding to increase its help to Cambodia the Australian Government is acting in concert with other nations which want to preserve the independence and integrity of the Cambodian people. The Australian aid will be designed by its nature, timeliness and compatibility to contribute effectively to Cambodia's capacity to survive.¹

This explanation is reminiscent of those employed in the early 'sixties concerning aid to South Viet Nam and Thailand. As the Government considered that Cambodia was seriously threatened by Communist aggression, it was prepared to offer both economic and military aid to contribute towards the preservation of Cambodia's 'independence and integrity' and thus towards the maintenance of security and stability in the region. Even though the expanded Cambodian allocation was not large and Cambodia was only a minor recipient of Australian aid, this explanation of one element of the aid programme was a demonstration of the continuing importance of strategic considerations, particularly in crisis situations. Thus in McMahon's statement there was a marked and perhaps unintentional² contrast between the explicit manner in which political considerations were brought out in relation to special aid to Cambodia on the one hand, and the low-key nature of the general aid policy references to neighbourliness and regional stability on the other.

The Minister also indicated that there were four new

² The contrast was perhaps unintentional considering that the announcement of special aid to Cambodia was inserted into the Minister's speech only at the last minute. — see remarks by E.G. Whitlam, Ibid., p.984.
directions in which foreign aid policy was moving. First, the three year commitment to Indonesia, which he had announced in April 1970, was described as a new departure to facilitate long-term development planning in Indonesia. Second, the Australian/Asian Universities Aid and Co-operation Scheme instituted in 1969, constituted an 'experiment in sub-contracting a small part of the aid programme'. Although directed towards the research needs of recipients, it was a very small part indeed of the aid appropriation for 1970/71. Third, attempts were being made to establish closer links between official aid and Australian private investment in developing countries. McMahon suggested that 'to developing countries private investment may well be as beneficial as or even more beneficial than official aid', so in appropriate circumstances aid was to be provided 'as a catalyst to this investment'. Fourth, McMahon indicated that Australia was supporting a trend for multilateral aid institutions to play a more active role in developing countries. However this new policy direction did not lead to a marked increase in Australian financial support for the multilateral institutions. For the three years following McMahon's policy statement, Australian multilateral aid contributions remained a relatively constant proportion of total aid expended.

1 For a discussion of the three year commitment of Australian aid to Indonesia, see Chapter Seven, pp.257-262, below.
5 Ibid.
6 Australian Multilateral Economic Aid
Expenditures 1969/70 to 1972/73

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Multilateral aid</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>$'000</td>
<td>10,558</td>
<td>11,458</td>
<td>11,700</td>
<td>13,111</td>
</tr>
<tr>
<td>Percentage of total</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Economic Aid (incl. PNG) %</td>
<td>6.3</td>
<td>6.5</td>
<td>5.9</td>
<td>6.0</td>
</tr>
</tbody>
</table>

Source: Crean, Australia's Economic Aid 1973-74, p.15.
Overall, McMahon's statement suggested that the Government was giving more attention to the needs of recipients in the formulation of aid policy.

When McMahon became Prime Minister in March 1971, he was succeeded as Foreign Minister by Leslie Bury and then by Nigel Bowen. For the next eighteen months aid policy did not vary to any significant extent but the expression of that policy, as tabled by Bowen in Parliament in September 1972, did concede more to underlying political considerations and elaborated further on particular Australian economic advantages involved.

Bowen's contribution came in two parts: a speech in the House, and a more extensive Annex, which he tabled, and which contained the Government's policy rationale together with a detailed account of the programme. In the speech neither aid policy nor the needs of less-developed countries were mentioned. It constituted an uncritical and self-congratulatory account of Australian aid achievements. As an unusually high level of public interest in general aid issues had been evident during previous months, and as federal elections were imminent, the particular approach to Australian aid adopted in Bowen's speech was understandable as one designed to attract support for the Government.

Within the Annex, the section entitled 'The Setting for Foreign Aid policies' did provide further policy insights. Altruistic, political and economic considerations underlying foreign aid policy were all acknowledged. Humanitarian concern for the welfare of those in other countries, Bowen

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1 The name of the Department was changed from External Affairs to Foreign Affairs in November 1970. Bury was Minister of State for Foreign Affairs (commonly known as Foreign Minister) from March to August 1971 and Bowen held the office from August 1971 to December 1972 - Current Notes, Vol.42, No.3 (March 1971), p.129, and No.8 (August 1971), p.434.

2 Both the speech and the Annex were published as Nigel Bowen, Australian Foreign Aid (Canberra, 1972).


4 A nation-wide education campaign on development issues had been organised during July. For a discussion of the nature and impact of that campaign, see Chapter Nine, below.
indicated, was expressed through all aid projects but was particularly evident in Australian responses to emergency situations. This humanitarian concern was the first 'main strand' in the Government's thinking about foreign aid; the second Bowen described as 'benevolent self-interest'. He went on:

There is a distinct foreign policy element in our aid programmes. We believe that if we can assist less developed countries to help themselves and raise the standards of their people, this will lead to a more stable and peaceful world. In our own region of South-East Asia and the Pacific, where many countries have attained nationhood since World War II, this has special point. These nations are still working out the political forms suited to their own conditions and the development of their own resources, both human and material. It is a process in which we believe we have a real interest in contributing, for their stability is our stability, their peaceful development is our investment in the future... I believe we are making a positive contribution to this process. But in doing so, we do not seek to impose on recipient countries our political philosophy or way of life, nor consciously to transplant our social and economic institutions. Nevertheless, the continuing dialogue on questions of development makes a significant contribution to understanding between nations and encourages thought and innovation in economic and social fields. Indeed the flow of aid itself opens up new options for constructive social change to help break the self-generating cycle of want, poverty and political upheaval.

In addition, Bowen drew attention to related international economic issues:

As one of the leading trading nations of the world, Australia has a profound interest in the equitable working of the world's economic system. It is necessary, and inevitable, that we involve ourselves in the part which aid plays in this complex process and that Australia play its part in facing the enormous challenge which the raising of standards in under-developed countries poses in today's world.

And at a later point in the statement he referred to some of

1 Bowen, *Australian Foreign Aid*, p.7.
2 Ibid., pp.7, 8.
the more specific Australian commercial advantages to be gained.

Although our aid is virtually all in grant form it does not mean that it is without direct economic benefit to the Australian economy or the Australian exporter. As a general requirement at least two-thirds of all the equipment and goods we supply under our programmes to foreign countries must be of Australian origin. In actual practice the percentage is rather higher. Thus, although trade promotion is not a direct objective of our aid programmes, it has become a bonus by which a number of Australian products, Australian companies and Australian consultants have become better known in Asia.¹

The Bowen rationale, more than earlier Ministerial justifications during the 'sixties, conveyed a relatively comprehensive appreciation of the range of considerations underlying the Government's aid policy. Australian security and prosperity were placed alongside the nation's obligation (as one 'rich in per capita resources and with a high standard of living'²) to assist those less fortunate in the international community. Furthermore, Bowen had abandoned, as a statement of objectives, the truism that Australian economic development assistance was intended to assist economic development in the region.

Despite the incomplete nature of many of the Ministerial expressions of aid policy between 1965 and 1972, certain policy shifts are discernable. By the end of this period altruistic considerations were being given greater prominence than had been the case earlier. The short-term and long-term implications of an expanding foreign aid programme for Australia's economic prosperity were increasingly acknowledged. Within the political sphere, because of the importance of the Indo-China conflict, the Australian aid response to that situation tended to distort overall aid policy during the middle years of the decade. As far as the Indo-China states, and to a lesser extent Thailand, were concerned between 1965 and 1972 foreign aid had been used as a direct instrument of Australian foreign policy. In relation to all other recipients for the whole period, and increasingly in relation to South

¹ Ibid., p.9.
² Ibid., p.8.
Viet Nam and Thailand (if not Laos and Cambodia), as foreign troop commitments in South Viet Nam decreased, Australian foreign aid became less of an immediate foreign policy instrument and more a means of creating a favourable climate in which to conduct foreign relations.
CHAPTER FIVE

'FOREIGN AID' (TERRITORIAL AID)
TO PAPUA NEW GUINEA 1945 - 1972

Substantial Australian economic assistance to the Territories of Papua and New Guinea was a post-war phenomenon which can be traced back directly to some of those foreign policy elements which motivated development assistance to foreign countries (foreign aid), as discussed in previous chapters. Although aid to Papua New Guinea developed in a manner which was very different from that concerning the growth of aid to sovereign states, the differences, similarities and linkages between the two forms of aid, as evidenced in public policy statements, help to illuminate the evolution of foreign aid policy. Moreover they draw attention to the issues involved in transforming 'territorial' aid into 'foreign' aid as Papua New Guinea becomes independent.

During World War II, the concept of economic development was closely associated with that of trusteeship. In 1942, Evatt, as Minister for External Affairs, made one of his earliest references to the trusteeship doctrine in Australian foreign policy.1 After indicating the relevance of the Atlantic Charter to the Pacific area and emphasising that 'freedom from want' involved the ending of 'the age of unfair exploitation', he continued:

...we must found future Pacific policy on the doctrine of trusteeship for the benefit of all the Pacific peoples. That doctrine the Commonwealth has endeavoured to carry out in New Guinea under the mandates system of the League of Nations.2

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1 For a comprehensive study of Australian trusteeship policy see W.J. Hudson, Australia and the Colonial Question at the United Nations (Sydney, 1970) and W.J. Hudson, 'Australia's Trusteeship Policy', Australian Outlook, Vol.21, No.1 (April 1967), pp.7-17. For earlier references to the connection between trusteeship and economic development within Australian foreign policy, see above Chapter Two, pp. 19-20, 35.

2 CPD, Vol.172, 3 September 1942, p.83.
In 1943, when addressing the Overseas Press Club in New York on 'The Post-War Settlement in the Pacific', Evatt expanded on trusteeship, the economic development of colonies, and what later became accepted as the basic objective of international aid programmes.

A special case of the problem of underdeveloped areas is that of colonies.

...There has recently been a good deal of discussion of the problem of colonial areas in the settlement following this war. This discussion can best proceed on the basic principle that those countries whose historical development has placed them in control of colonial areas are to be regarded as occupying the position of trustees. They retain general sovereignty but they also have obligations to other countries in the world and to the native populations which it is a condition of their trust that they shall carry out. This is sound, but in analysing the application of this trusteeship to the actual problems of colonies, the major attention has up to the present been placed upon the political aspects of development, that is, it has been emphasized that the trustee country has an obligation to educate and develop the peoples under its control along the road towards self-government.

Australia feels that emphasis should also be placed upon the ... economic development of colonial areas...

From what I have said it follows that if the general principles of the Atlantic Charter are carried out by the countries adhering to it, it may become necessary for their governments to accept obligations of international character affecting matters which, in the past, have normally been regarded as matters of domestic concern only, and to accept responsibility for standards of living and for economic development in countries beyond their own borders.¹

That concept of trusteeship, envisaging more active international efforts towards the political and economic development of colonies than had taken place under the mandates system,² was subsequently written in to the Australian – New Zealand

¹ Evatt, Foreign Policy of Australia, p.117.
² See Hudson, Australia and the Colonial Question, pp.11-12.
Agreement of January 1944. Those two countries agreed on its applicability 'to all colonial territories in the Pacific and elsewhere'.

During April and May 1944, the development of colonies received further detailed attention at the Philadelphia Conference of the International Labour Organisation (ILO). The ILO was aware that low standards of living existed in many countries but at Philadelphia, among other things, it had decided to focus attention specifically on the needs of dependent territories. Although Australian energies at that conference were primarily directed towards gaining international, and particularly American, acceptance of a full employment agreement, colonial issues were also important. Domestically, in line with various limited though influential public expressions of sympathy and concern, the Minister for External Territories, Eddie Ward, with Evatt's backing, was increasingly determined to improve the health and general

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1 'The Australian - New Zealand Agreement', clause 28, in Kay, The Australian - New Zealand Agreement 1944, p.114. This Agreement was sometimes known as the Anzac or Canberra Pact.

2 The various reasons which the ILO put forward for this focus on the development of colonies were set out in the preparatory report - International Labour Office, Minimum Standards of Social Policy in Dependent Territories, Report V for the Twenty-sixth Session of the International Labour Conference (Montreal, 1944), pp.v - vii, 1-4, 18-22. For the text of the resulting 'Recommendation (No.70) Concerning Minimum Standards of Social Policy in Dependent Territories' see Australia, Commonwealth Parliament, International Labour Organization of the League of Nations, Twenty-sixth Conference, held at Philadelphia, 20th April to 13 May 1944, Reports of the Australian Delegates (Canberra, 1944) (hereafter cited as ILO Philadelphia: Australian Reports), pp.35-40. That the development of dependent territories was dealt with in detail at conferences such as that at Philadelphia, helps to explain why those clauses in the United Nations Charter (laid down twelve months later) relating to standards of living in colonies were more detailed than those relating to the general problem of establishing 'freedom from want' for all people. This feature of the Charter has already been noted above in Chapter Two at p.20.

welfare of Papuans and New Guineans. One of the earliest areas of concern involved labour conditions. Being determined to register at the ILO conference Australia's approach on colonial employment policy, the Government authorized its delegate to support the abolition of indentured labour systems. That expression of support was a natural outcome of Labor's traditional preoccupation with employment issues. In addition, the ILO conference took place only a matter of months after the signing of the Australia-New Zealand Agreement with its trusteeship and colonial welfare provisions. At Philadelphia, Australia was provided with a world-wide forum to declare its concern for standards of living in colonial territories.

This is not to suggest that, during 1943 - 1944, Australia was undertaking a co-ordinated foreign policy campaign involving such issues as freedom from want, colonial welfare and trusteeship, but rather that a number of strands of policy were coming to be more closely related. As that occurred, these issues together became an increasingly significant element of Australian foreign policy.

During the last years of the war, events, both international and national, were preparing the way for a greater post-war commitment of Australian finance in the Territories. First, at Philadelphia the ILO had clearly specified the financial responsibilities of colonial powers:


3 For a fuller examination of these domestic and international developments, see the forthcoming work by W. Granger on 'the Native Policy of J.K. Murray', and W.E.H. Stanner, The South Seas in Transition (Sydney, 1953), pp.95-109.
1. In order to promote economic advancement and thus to lay the foundation of social progress, every effort shall be made to secure on an international, regional, national or territorial basis, financial and technical assistance in the economic development of dependent territories under the control of local administrations in such a way as to safeguard the interests of the peoples of dependent territories.

2. It shall be the aim of policy for all government authorities to ensure that adequate funds are made available to provide capital for development purposes on terms which secure to the peoples of dependent territories the full benefits of such development.¹

These general principles would have encouraged Australia's consideration of a generous assistance policy.

Second, since late 1942 the Government had been prepared to provide substantial relief and rehabilitation assistance to Papua New Guinea. In November of that year, the Australian New Guinea Administrative Unit (ANGAU) had been vested with powers to administer immediate relief in liberated areas and to undertake the rehabilitation of villages where possible.² Two years later, when international rehabilitation came to be handled by the newly formed United Nations Relief and Rehabilitation Administration (UNRRA), Australia specifically withheld Papua and New Guinea from that organisation's area of responsibility. In November 1944, the Minister for External Affairs announced that Australia intended to follow Britain's example of accepting

¹ Annex to Recommendation No. 70, in ILO Philadelphia: Australian Reports, p.35.
full responsibility for the rehabilitation of its own territories. In that way the Government also ensured that no other country, through UNRRA, could interfere in the administration of those territories. Australia's acceptance of full relief responsibilities increased the likelihood that after the war the Government would maintain a continuing financial obligation towards Papua and the mandated territory, New Guinea.

In Papua New Guinea, relief measures were not easily distinguishable from other ANGAU functions and consequently in December 1944 it could only be estimated that the Government was prepared to make up to $4 million available annually, over a four to five year period, for the purpose of military and civilian administration together with relief and rehabilitation. In addition, it was likely that up to $20 million would have to be paid out of the contributory War Damage Compensation Fund as a result of claims which expatriates had lodged by December 1944. Although expenditure from that fund was not a charge on Australian public revenues, altogether almost $40 million was to be made available to redress war damage. Despite the relatively lengthy period over which this expenditure was to be spread, it constituted an unprecedented injection of capital into Papua New Guinea. The high war-caused level of expenditure was unlikely to be maintained for long in peace-time but it established a precedent for a liberally financed post-war reconstruction policy.

In the final stages of the war, the third factor leading to a substantial post-war commitment to Papua New Guinea was that initiated by the Army Directorate of Research under

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1 CPD, Vol.180, 16 November 1944 p.1850, also cited in Fry, 'Relief and Rehabilitation' p.6.
2 Ibid pp.12, 20. For an alternative estimate of costs incurred by the Commonwealth, see Stanner, The South Seas in Transition, pp.123-4. When that $16-20 million is added to Australia's initial contribution of $24 million to UNRRA, it is seen that the country's 1944 commitment to the alleviation of war damage was considerable.
3 Fry, 'Relief and Rehabilitation', p.20.
Colonel A.A. Conlon. This body was strategically placed to influence post-war policy in the Territories. It was responsible to the Commander-in-Chief of the Australian Military Forces, General Sir Thomas Blamey, and on Papua New Guinea affairs Conlon was both an initiator of ideas and at the same time an effective middleman between Blamey and the Minister for External Territories. Furthermore, the Directorate acquired the services of a number of senior lawyers, anthropologists and economists, and Ward found that the suggestions which emanated from this research organisation were more in tune with his ideas on Papua New Guinea than were those provided by his own Department. Conlon and the Directorate contributed to the formulation of a 'New Deal' for Papua New Guinea, and according to J.K. Murray (who was a member of the Directorate and later Administrator of the combined territory) Conlon himself deserved much of the credit for the large annual grants made available after 1945.

Murray also recalled that Conlon had estimated that $6 million would be required over a number of years to effect the 'New Deal'.

The first major statement of the 'New Deal' policy was Ward's Second Reading speech on the Papua-New Guinea Provisional Administration Bill 1945. No specific financial commitment was made but it was clear that the Government intended to increase dramatically its financial assistance. As Ward explained:

The occupation by the enemy of most of the Territory of New Guinea and a large portion of the Territory of Papua caused disruption to the native inhabitants and destruction of property that will require considerable sums of money to repair. Some of this money will be forthcoming from the Commonwealth War Damage scheme which

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1 For an outline of the broad functions of the Directorate as at February 1944, see Gavin Long, *The Final Campaigns* (Canberra, 1963), pp.397-8.
2 Johns, 'Labor and Papua New Guinea', p.27.
applies to the Territories, but appropriations will also be necessary from the revenue of the Commonwealth to assist in the reconstruction and rehabilitation of the Territories. This Government is not satisfied that sufficient interest had been taken in the Territories prior to the Japanese invasion, or that adequate funds had been provided for their development and the advancement of the native inhabitants. Apart from the debt of gratitude that the people of Australia owe to the natives of the territory, the Government regards it as its bounden duty to further to the utmost the advancement of the natives, and considers that can be achieved only by providing facilities for better health, better education, and for a greater participation by the natives in the wealth of their country and eventually in its government.

A comprehensive programme is to be followed for the rehabilitation and development of the Territories having regard to the moral and material welfare of the native inhabitants and the strategic importance of the area to Australia.1

The Government had abandoned the pre-war theory of colonial economic self-sufficiency2 which had been applied rigorously to New Guinea (except during the 1920s) and almost as vigorously to Papua.3 It had accepted an obligation to actively promote the economic development of its colonies by

2 Hudson, 'Australia's Trusteeship Policy', p.8. As Hudson indicated, during the war years the British Government also had abandoned this theory of colonial self-sufficiency.
3 Pre-war, New Guinea had received only minor grants between 1922 and 1932 as follows:

Australian Pre-war Grants to the New Guinea Mandate

<table>
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<tr>
<th>Year ended 30 June</th>
<th>1923</th>
<th>1924</th>
<th>1925</th>
<th>1926</th>
<th>1927</th>
<th>1928</th>
<th>1929</th>
<th>1930</th>
<th>1931</th>
<th>1932</th>
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<tr>
<td>Grant $'000</td>
<td>20</td>
<td>Nil</td>
<td>Nil</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>20</td>
<td>10</td>
<td>Nil</td>
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For Papua, however, the Commonwealth grant had averaged out at $81,000 per annum between 1910 and 1942. Details of these grants may be found in Commonwealth Bureau of Census and Statistics, Finance Bulletin, Nos. 11-33.
means of direct financial intervention. This constituted the major change in Australian policy towards its Territories in 1945. As a consequence, the growth in Commonwealth expenditure was particularly marked. In 1945/46, the grant to the jointly administered territories was $505,000, rising in 1946/47 to over $4 million.¹

The Government's new colonial or territorial aid policy was based on a number of considerations. Three of these, namely gratitude, humanitarian duty, and strategic value, are to be found in the extract from Ward's speech already quoted. Ward's reference to the 'debt of gratitude' reflected widespread public sympathy which had been romantically embodied in the 'Fuzzy Wuzzy Angel' legend.² This was combined with a second consideration, a humanitarian duty to promote the advancement of the indigenous inhabitants, a cause forcefully promoted by some influential missionaries and church leaders who, to a greater extent than most members of the public, did have a reasonable grasp of particular aspects of Australian colonial policy.³ Thirdly, Ward acknowledged the 'strategic importance of the area to Australia', which conformed with statements made by Evatt from 1943 onwards, concerning the vital strategic significance of the arc of islands to the north.⁴ Later in the 1945 Papua-New Guinea debate in the House, Ward added a further comment on the security issue.

As we go on with our plans for the improvement of the conditions in Papua and New Guinea generally we will make these Territories a means of real defence for the continent of Australia.⁵

¹ See Appendix 5 below.
⁴ It should be added that in opposition to these pressures for change, there were also strong pressures from expatriate business interests and some missionaries for a reversion to pre-war conditions. This is developed in detail by Granger in his forthcoming work 'The Native Policy of J.K. Murray'.
⁵ See Chapter Two, p.34, above.
⁶ CPD, Vol.184, 19 July 1945, p.4306; and see also Ibid., p.4305.
Ward had adapted Evatt's argument that an improvement of the standard of living within underdeveloped countries, including colonies, was essential if any regional system of security were to be permanent. Papua New Guinea provided Australia with its opportunity to move 'development for security' out of the sphere of foreign policy rhetoric into that of concrete colonial policy.

The question of Australia's international reputation was also at issue when its post-war colonial policy was formulated. By July 1945, international consideration of the trusteeship principle was well advanced and the problem of trusteeship had been raised again, largely at Australia's instigation, at the United Nations Conference on International Organisation. Consequently, in the Papua New Guinea context, it was appropriate for Ward to explain:

It was the aim of the Government, as the proposer at the San Francisco Conference of the establishment of the principle of trusteeship respecting dependent peoples, to set an example by the way in which Australia carries out its responsibilities in the Territories under its control. There was now a direct correlation between Evatt's forceful advocacy of a trusteeship policy at the United Nations (including the greater financial responsibilities of the metropolitan powers) and the Government's specific approach to Papua New Guinea.

It was also felt that Australia's international reputation could be enhanced in the sensitive area of immigration by pursuing a liberal colonial policy. That point

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1 See above Chapter Two, pp.34-5.
An opposition assertion, that if conditions were improved the Papua New Guineans may be more likely to co-operate with a potential enemy, was quickly dismissed by Ward as peculiar, defeatist, and a distorted view of the problem - CPD, Vol.184, 19 July 1945, pp.4290, 4301.

2 CPD, Vol.183, 4 July 1945, p.4055.


4 See also Murray, 'In Retrospect 1945 - 1952,' p.178.
made initially by Leslie Haylen during the 1945 Papua New Guinea debate, was reiterated by Ward:

    We have a policy for a White Australia and it will prove greatly to our advantage to see that we deal fairly with dependent peoples who come under our control.

As this assertion had apparently been prompted by Haylen's remarks the day before, it more than others may have been an *ex post facto* justification rather than one of the underlying considerations which contributed towards the Government's liberal grants policy.

Finally it must be asked whether the Government intended Australian economic advantages to flow from the liberal reconstruction and development policy it was beginning to institute in the Territories. One historian has asserted that the Labor Government hoped that the development of Papua New Guinea would be a boon to the Australian economy and that Australian markets would benefit from the production of goods such as tea which were currently imported from other parts of the world. However, that is not to suggest that the interests of expatriates, or the economic benefits which may accrue to Australia were necessarily primary considerations underlying territorial aid policy. Ward's antipathy towards 'exploitative' commercial interests was no secret, but speaking specifically about the future direction of Government policy as it affected European industry, he said:

    Formerly the economic development of the Territory and the extent to which industry might be expanded were limited only by the markets available and the supply of native labour that could be obtained. There has been some development by natives on their own account. In future the basis for the

3 A similar connection between the White Australia policy and Australia's foreign aid programme was to be made almost a decade later. See above Chapter Three, pp.73-5.
5 See for example his various references to planters and private companies, 'self-seeking' commercial interests and 'unscrupulous' employers in *CPD*, Vol.184, 19 July 1945, pp.4300, 4303, 4305, 4319.
economy of the territory will be native and European industry with the limit of non-native expansion determined by the welfare of the natives generally. Trading activities, particularly so far as they affect the natives, will be under much closer scrutiny and control than in the past, but the policy of the Government in this matter has not yet been determined.1

It appeared that Government policy would apply some restraints to expatriate industrial expansion while encouraging the development of indigenous enterprise. This last would, of necessity, be slow and could not be of immediate, or even medium term, economic benefit to Australia.

The Government's new policy of supplementing the internal revenues of the Territories to finance a large reconstruction and development programme was not questioned by the Opposition. For the rest of Labor's term of office during the 'forties, the Government simply continued to expand its annual expenditure in Papua New Guinea,2 with no explanation or justification in Budget statements. Opposition criticism was directed, not at the amount of assistance being made available, but at the details and direction of the reconstruction programme. In other words territorial aid policy as such received bipartisan support, but the administration of, and the associated development policy for, the Territories was subjected to Opposition attacks.

To some extent, this distinction between territorial aid policy and development policy is artificial. In any one year, the grant allocated and the particular development programme implemented were very much interdependent, and it is therefore difficult to distinguish grant levels established as a matter of policy (on the basis, for example, of a fixed percentage increase over the previous year's grant) from grant levels arrived at by totalling itemised development programme requirements. But there were occasions, such as in 1945, when fundamental decisions were made affecting the avail-

1 CPD, Vol.183, 4 July 1945, p.4050.
2 For the annual expenditure figures, see Appendix 5 below.
ability of Commonwealth financial assistance for the Territories. In this study, attention is focused on territorial aid policy, insofar as it is distinguishable, to facilitate the closest possible comparison with policy regarding foreign aid to sovereign states.

Aid policy in relation to Papua New Guinea was very much influenced by the degree of control which Australia exercised within the Territories. Since 1906, Australia had exercised complete sovereignty in Papua. So far as New Guinea was concerned, the Trusteeship Agreement which was finally approved by Parliament in 1949, gave Australia, in Chifley's words, 'complete and exclusive power in controlling the administration' of the Territory. Thus according to Article 4 of the Agreement,

The Administering Authority will be responsible for the peace, order, good government and defence of the Territory and for this purpose will have the same powers of legislation, administration and jurisdiction in and over the Territory as if it were an integral part of Australia, and will be entitled to apply to the Territory, subject to such modifications as it deems desirable, such laws of the Commonwealth of Australia as it deems appropriate to the needs and conditions of the Territory.2

The major difference between the trusteeship, and the mandate, systems was Australia's power to make defence preparations3 - a provision which had been sought because of


2 Ibid.

3 Although referred to in Article 4, the defence question was also the subject of a separate article, Article 7. - Ibid., p.59.
the 'vital' strategic significance of the Territory, in the estimation of both Government and Opposition. As Australia was the sole legal administering authority in the Territory of Papua and New Guinea and as defence considerations were predominant in the establishment of that authority, the Commonwealth Government was determined to take direct responsibility for the development policy and for financing the administrative programmes.

The change of government in 1949 saw no change in the policy that Papua New Guinea should receive substantial financial assistance. It was estimated that over the five years ending 30 June 1950, the Commonwealth would have provided $21 million in grants to supplement the $8 million available from internal revenues, and Spender, who became Minister for External Territories, envisaged that in the near future the Territory Administration was going to require funds on an even larger scale. He suggested that the new Government would explore the possibility of obtaining a 'substantial portion' of the funds required on loan instead of grant terms, but that proposal did not bear fruit and, for more than two decades, the Commonwealth grant-in-aid remained Papua New Guinea's major source of external assistance.

1 See the earlier statements of Evatt (CPD, Vol.186, 13 March 1946, pp.196-7) and Chifley (CPD, Vol.188, 7 August 1946, pp.3853-4) as well as the lengthy debate on the Papua and New Guinea Bill 1949 in CPD, Vol.201, 1, 2, 3, and 9 March 1949, pp.735-777, 842-920, 968-988, and 1098-1143.

2 The 'Territory of Papua and New Guinea' was the new name which applied to the administrative union of the two Territories. That was provided for under the same Papua and New Guinea Act 1949 (Australia, Commonwealth Parliament, The Acts of the Parliament (1949), pp.41-2), making permanent a wartime and then post-war provisional arrangement which had been in existence for over six years.


4 Ibid. Over the five years to 30 June 1950, actual Commonwealth grants totalled $23 million. See Appendix 5 below.

5 CPD, Vol.208, 1 June 1950, p.3652.

Spender also suggested that the Government would examine the contribution of residents (mainly expatriate) to the internal revenues of the Territory. While income taxation was not introduced until 1959, Spender's raising of the issue in 1950 was an indication that, from the beginning of its term of office, the Liberal-Country Party Coalition hoped to ensure that the internal resources of the Territory would bear an increasing share of the development costs. Although no time scale was mentioned, economic self-reliance, implying an eventual cessation of the Commonwealth grant, was the stated objective.

Australia's concern for the development of Papua New Guinea and consequently the Commonwealth's increasing expenditure within the Territory must be seen in the context of the current international situation as perceived by a Minister whose major portfolio was not External Territories but External Affairs. In his foreign policy statement of 9 March 1950, Spender had already stressed the strategic importance for Australia of 'the island areas immediately adjacent', adding that 'New Guinea ... is an absolutely essential link in the chain of Australian defence'. Consequently, emphasis on security in his External Territories policy statement delivered three months later, was to be expected. Spender was convinced that the importance of the territories to Australia has not been fully appreciated and that if we are to hold these Territories safe from external aggressors they must be developed as quickly as our resources permit. There can be no doubt that we must so hold the area; nor can there be any question that we will not be able so to do unless we make the fullest possible

1 CPD, Vol.208, 1 June 1950, p.3652.
2 Ibid., p.3637.

use of the undoubted natural resources with which the territories are endowed. The present Government has no illusions as to the magnitude of the task of developing the Territories.¹

The Government was determined to ensure that the Territory was 'administered and developed in a way best calculated to protect the welfare of the native inhabitants and, at the same time, to serve Australia's security interests.' Continuing, Spender outlined the connection as he saw it between security and development in Papua New Guinea.

Considerations of security interests clearly required that our efforts should be directed towards establishing in these Territories a population of a strength and quality that will enable us to build up in those areas a friendly, prosperous and loyal people who will be able in times of crisis to assist in the protection of their own interests and to provide strength, not weakness, to the Australian nation to which they must inevitably turn as their protector.²

In the thinking of the Government there was the unquestioned presupposition that a people who had achieved a considerable measure of advancement at the hands of the Commonwealth would automatically be loyal and effective supporters should the nation's security be threatened.

The Government's determination 'to protect the welfare of the native inhabitants' strongly suggests the continuing existence of underlying humanitarian considerations, but that was not made explicit in Spender's policy speech. Nor did Spender make any reference to the debt of gratitude which earlier Governments had felt Australia owed to the people of Papua New Guinea. Moreover, as may have been expected from his disparaging remark while in Opposition, that by placing New Guinea under the United Nations Trusteeship System the Labor Government had 'given the Territory away for all time',³

¹ CPD, Vol.208, 1 June 1950, p.3636.
² Ibid., p.3637.
in this speech Spender did not mention Australia's international obligation to develop the Trust Territory in accordance with the terms of the Trusteeship Agreement.

Australian economic considerations were present in Spender's statement but with one exception were related more to the means than the ends of development policy for the Territory. The one exception seemed to be a reflection of post-war commodity shortages which had been exacerbated by the dollar crisis. One of Australia's objectives, Spender explained, was the development of natural resources which would assist the Territory to become 'economically self-supporting' and enable it to 'supply the needs of Australia and the world generally with the valuable commodities that the Territories are capable of producing,'¹ Spender had made a similar point at the Colombo Conference earlier that year in relation to the development of South and South-east Asian countries.²

However the policy of creating a complementary economic relationship between Australia and the Territory and of encouraging the investment of private Australian capital³ seemed to be more directly related to the Territory's needs. The complementary economic relationship was regarded as necessary to ensure that Territory industries would be protected and have access to a close and ready market. The more overt encouragement of private investment, in accordance with the economic philosophy of the Liberal Government, was to enable private enterprise to play a large part in the economic advancement of Papua New Guinea. Although Australian individuals and industries would benefit in the process, Spender conveyed the impression that this was not a primary consideration.

Aid to Papua New Guinea, although mainly for reconstruction purposes, had been established on a sure footing by the post-war Labor administration, and after 1949 the Liberal-Country

¹ CPD, Vol.208, 1 June 1950, p.3637.
² See above, Chapter Three, pp.57, 62-3.
³ CPD, Vol.208, 1 June 1950, p.3637.
Party Government also was prepared to maintain a major financial commitment. In 1950/51, however, the annual rate of increase in the grant was minimal: 4% as compared with 31% for the previous year.\(^1\) In part this level of aid was the result of an unexpended budget allocation but even the estimated grant for 1950/51 contained only a 9% increase.\(^2\) Considering the Papua New Guinea grant in the context of the overall Commonwealth Budget for 1950/51, it could be thought that the small increase was due to an anti-inflationary cut-back in public expenditure and an unforseen increase of $100 million in the defence appropriation.\(^3\) In 1951/52, however, both these factors were again present yet the estimated Papua New Guinea grant was increased by a substantial 24% over actual expenditure for 1950/51.\(^4\)

It is possible to understand some of the reasons for the low grant increase in 1950/51 when examining the major component items of Territory revenue and expenditure. An analysis of the public finance statistics for the two territories shows that in many cases there were internal administrative reasons for the major variations which together provide a partial explanation for the low grant increase.\(^5\) However, this analysis does not indicate whether or not it was Commonwealth policy to limit in any way the total aid provided in 1950/51.

As in the case of the 1950/51 grant, the 12% drop in 1952/53 was not explained in terms of Australia's policy with respect to assistance for the Territory. Hasluck, who since 1951 had been the first Minister solely responsible for the Territories portfolio, had presided over the previous year's 21% increase\(^6\) but offered no explanation for the subsequent reduction. Again, actual grant expenditure was less

\(^1\) See Appendix 5 below.


\(^3\) Both these factors were highlighted in the Treasurer's Budget Speech - CPD, Vol.209, 12 October 1950, p.779.


\(^5\) For the details, see Appendix 7 below.

\(^6\) See Appendix 5 below.
than estimated but even the initial appropriation involved only a 3.5% increase.\(^1\) Here again the public finance statistics can be analysed in the same manner, but with the added advantage that by 1952 the Papua New Guinea Legislative Council had been reconstituted and further information was provided in the course of budget debates in Port Moresby.\(^2\) Even so, this item by item investigation of Territory expenditures in 1952/53 does not clarify further the Commonwealth's territorial aid policy.

This analysis of factors associated with the grants for 1950/51 and 1952/53 highlights a methodological problem in attempting to relate aid policy to irregular annual grant levels. The grant was a form of budget support based on Papua New Guinea Estimates and was not a prior commitment of a specific amount even though in later years Territory Estimates were often prepared on the assumption that a certain level of assistance would be available.\(^3\) There was always the possibility that broad limits established in accordance with territorial aid policy could be modified by the inclusion or exclusion of specific items from the Estimates. It was in the Estimates stage that the Government's development policy made its major impact. It was also at this stage that expatriate pressure groups\(^4\) were likely to have had some influence on the programmes to be implemented.

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\(^1\) H.H. Reeve (Treasurer and Director of Finance in the Territory Administration), Second Reading speech on the Appropriation Bill 1952/1953, in Territory of Papua New Guinea, Legislative Council Debates (Port Moresby) (hereafter cited as LCD), First Council, 7 October 1952, p.15. According to Reeve, the actual grant for 1951/52 was $5,285,559 ($10,571,118) and the estimated Commonwealth grant for 1952/53 was $5,470,000 ($10,940,000).

\(^2\) The analysis of the 1952/53 public finance details and the Legislative Council budget information is also to be found in Appendix 7 below.

\(^3\) Interview, Dr M.L. Parker, Canberra, December 1972.

\(^4\) These included the Public Service Association, the Highlands Farmers and Settlers Association, trading companies such as Burns Philp, expatriate industrial interests and missionary organisations. Commonwealth Parliamentary Debates indicate, for example, that there were always appeals for improved public facilities in many different areas with the Territory.
However, there are no public documentary sources containing information as to how priorities were accorded and Estimates prepared. For these reasons, not only are there problems in trying to establish territorial aid policy by comparing annual grants; there are also problems in attempting to evaluate stated policy by examining the grants which subsequently were provided to meet the difference between estimated revenue and expenditure in Papua New Guinea.

In the 1952 Budget speech, the Territory Treasurer made one general observation which does indicate the way the Commonwealth grant may have been determined. H.H. Reeve explained that 'the revenue collected from purely Territory sources has been maintained at 30% of total revenue'.¹ That statement could have been reworded to 'the finance provided by the Commonwealth Government has been maintained at 70% of total revenues', because it was the grant which was the final variable. With such a 30/70 'understanding' in existence within departments in Port Moresby and Canberra, and with the Administration being able to control and therefore estimate its own internal receipts, the Administration would have been in a position to provide a realistic estimate of expenditure before the formal decision on the grant had been made by the Australian Government. That the 30% proportion was being 'maintained' suggests that this important understanding had been in existence for some years, a proposition which is reinforced by calculations based on the post-war public finance statistics. (See Table 1, below) From 1947/48 onwards, variations from the 30/70 relationship could have been due to differences between estimated and actual expenditure, as in 1952/53.²

¹ LCD, First Council, 7 October 1952, p.15.
² In that year, estimated internal revenues constituted not quite Reeve's 30%, but 29% of total estimated receipts.
### Table 1

Papua New Guinea

Composition of total Administration receipts

1945/46 to 1952/53

<table>
<thead>
<tr>
<th>Year ended 30 June</th>
<th>'Internal receipts'</th>
<th>Grant</th>
<th>Total receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>%</td>
<td>$m</td>
</tr>
<tr>
<td>1946</td>
<td>0.13</td>
<td>20.6</td>
<td>0.51</td>
</tr>
<tr>
<td>1947</td>
<td>0.93</td>
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<td>1.83</td>
<td>32.9</td>
<td>3.73</td>
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<td>2.47</td>
<td>27.8</td>
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<td>2.80</td>
<td>25.1</td>
<td>8.37</td>
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<td>1951</td>
<td>3.73</td>
<td>30.0</td>
<td>8.71</td>
</tr>
<tr>
<td>1952</td>
<td>4.78</td>
<td>31.1</td>
<td>10.57</td>
</tr>
<tr>
<td>1953</td>
<td>4.87</td>
<td>34.3</td>
<td>9.31</td>
</tr>
</tbody>
</table>

Notes: 1 Percentages may not add to 100 because of rounding.  
2 For these calculations, the effects of initial and closing surpluses have been ignored.


In instituting the 30/70 policy, the Commonwealth Government would have ensured that the overall growth in expenditure in Papua New Guinea broadly depended on the growth in internal revenues which the Administration was able to effect, thereby also ensuring a constant level of responsibility on the part of the Territory for its own development.

During the 1954 Budget session, the Commonwealth Government announced some guidelines and provided further explanation. Sir Arthur Fadden indicated that there had been approval in principle for an 'expanding' programme of development in both the Northern Territory and Papua New Guinea.1 The 31.5% increase in 1954/55 proved to be the

largest annual increase over the whole period of Liberal government, 1949 to 1972. According to the Budget Papers of 1954, this could largely be attributed to an expanded capital works programme (to be expected after major delays in 1952/53) and an extension of health and education services.\(^1\) Hasluck chose the occasion of the Budget debate to deliver a comprehensive policy statement which included both review and projection.

The Minister prefaced his policy remarks by reiterating those points of interest which the Commonwealth Parliament had in this 'great external territory'. In speaking of the strategic importance of Papua New Guinea, he was not as graphic as some of his colleagues on both sides of the House,\(^3\) but he emphasized that Australians were 'prepared to shed blood' to prevent the occupation of these islands by any other power.\(^4\) That had been a familiar argument used by members of both parties since the war. Hasluck then went on to mention Australia's economic interest in terms reminiscent of Spender's 1950 Ministerial Statement. 'Its resources are complementary to the resources of the Australian mainland', he said, and enough should be produced 'to meet both

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\(^1\) See Appendix 7 below.


\(^3\) On 6 October 1953, Labor Member, J.F. Fitzgerald, asserted: ... Indonesia, Japan, Germany and other countries realize that the country which controls New Guinea ultimately will control Australia. - *CPD*, Vol. H of R 1, 6 October 1953, p.1006.

He was followed, after a short breathing space, by H.S. Robertson speaking from the Government benches: ... the time has come to... look to the future of these territories in the interests of our own security, if for no other reason, because as a result of the development of modern transport systems, [these territories] lie within two hours light bomber range of the City of Townsville, three hours light bomber range of the City of Brisbane and four hours light bomber range of the City of Sydney. - Ibid., p.1008.

Australian and world needs'. Finally the Minister spoke of Australia's 'national responsibility' based primarily on its own 'traditions and standards of proper conduct ... towards dependent peoples'. As a secondary consideration, Hasluck also referred to Australia's 'solemn treaty obligations' but he emphasized that it was up to Australia, not the United Nations, to set the standards, to live by them and to act on its 'own self-criticism'. This concentration on self-motivation and self-criticism could well have been in response to the many detailed recommendations concerning development in New Guinea made by the United Nations Trusteeship Council and the General Assembly during the early 1950s.

When he moved on to areas of government action, the Minister took care to indicate that the task in Papua New Guinea 'is necessarily a long and a slow' one because 'precipitate action can be perilous action'. A ten year transformation, he said, could well result in the growth of more 'problems' than 'crops'. Despite this note of caution, Hasluck still advocated continually increasing expenditures. He had convinced Cabinet that the time of preparation was over and that the development programme could now move forward more rapidly. The Labor Government, he said, had been involved in major reconstruction works and the rebuilding of the (expatriate staffed) Administration. When he took up the portfolio, he considered that what was required was 'a fundamental re-organization and a building up of the strength and efficiency of the Administration', and that had been the Government's primary task for the previous three years.

Cabinet had now 'approved of the principle of expanding

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1 Ibid.
2 Ibid., p.848.
expenditure, under which the Territory shall not be tied down each year to the expenditure of the previous year'. The implication was that in previous years the Government had tended to establish annual expenditure levels by allowing for a constant rate of increase above the previous year's expenditure, but from 1954 it intended to accept the financial consequences of a development programme approved much more on its own merits. Hasluck was confident that there would be a marked rise in the annual expenditure curve in the immediate future, and consequently it was to be expected that there would also be a corresponding rise in the Commonwealth grant. Certainly, for the next two years, increases in Administration expenditures and the Commonwealth grant were higher than before but the tapering off in the rate of increase of both items for the rest of the decade indicates that Hasluck 'marked rise' was shortlived. Despite the Minister's 1954 statement, after 1955/56 a baseline rate of increase of about 11% - estimated expenditure over actual expenditure for the preceding year - seemed to be the norm for the rate of Territory development and, consequently, the level of the Commonwealth grant-in-aid.

In the long term, the total grant figure may not have been significantly influenced, but the new procedure for programme approval did contain a forward commitment. Cabinet had accepted in principle a three year programme of activities and this constituted the first significant Australian attempt at long-term development planning for the Territory. At the same time, a new Cabinet Committee, presided over by the Prime Minister, was delegated the responsibility of deciding, in April, the development programme for the forthcoming financial year. In practice, Estimates

1 Ibid., p.851.
2 See Table 2, p.157 below, and Appendix 5 below.
Table 2

Papua New Guinea

Administration Expenditure, Actual and Estimated

1949/50 to 1960/61

<table>
<thead>
<tr>
<th>Year ended 30 June</th>
<th>Actual Expenditure</th>
<th>Estimated Expenditure</th>
<th>Increase in est. as compared with previous year's actual</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'m</td>
<td>%</td>
<td>$'m</td>
</tr>
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<td>15.4</td>
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<td>15.4</td>
<td>20.5</td>
<td>21.0</td>
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<tr>
<td>1953</td>
<td>14.2</td>
<td>-7.5</td>
<td>24.0</td>
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<tr>
<td>1954</td>
<td>16.3</td>
<td>17.0</td>
<td>27.0</td>
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<td>1955</td>
<td>20.5</td>
<td>23.0</td>
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<td>43.6</td>
</tr>
<tr>
<td>1959</td>
<td>34.1</td>
<td>10.1</td>
<td></td>
</tr>
<tr>
<td>1960</td>
<td>38.7</td>
<td>13.2</td>
<td></td>
</tr>
<tr>
<td>1961</td>
<td>44.7</td>
<td>15.5</td>
<td></td>
</tr>
</tbody>
</table>

Note: Estimated expenditure for the years 1949/50 to 1951/52 not available.

procedures would have been similar to those under the old system but now it was less likely that other budget pressures emerging later in the year would adversely affect the Papua New Guinea allocation.¹

During the 1957 Estimates debate, while justifying a review of revenues raised in the Territory, Hasluck confirmed an aspect of the Government's policy for Papua New Guinea which previously had only been implied by the Territory Treasurer. Although, apparently, it had been in operation for at least six years, only in 1957 did Hasluck state Government policy on the relationship between the Commonwealth grant and locally raised revenue.

It has been my consistent endeavour while I have occupied this portfolio to increase the annual grant available from the Commonwealth and at the same time put pressure on the Territory to increase local revenue so that, with an increasing budget, the proportion between the Commonwealth grant and local revenue will remain approximately the same. In broad figures we have attempted to raise from local sources about 30% of the total budget.²

Indeed, as already indicated above, the local revenue proportion had been 30% plus or minus 5% since 1947/48 and it remained within that range for a further nine years.³ Thus the 30/70 policy proved to be a significant guideline for Commonwealth grant levels over almost two decades.

The Government was as much concerned with the means of raising local revenues as with the proportion of total revenues which they constituted. The 1957 review was initiated so that the Government could determine whether revenues were being raised in a manner which positively aided the Territory's future development.⁴ The most contentious

¹ It is not known for how long this Estimates procedure persisted. By the mid 'sixties there had been a reversion to the normal timing of Estimates preparation.
³ See Table 1,p.153 above and Papua New Guinea, Budget Papers 1972/73, p.21, which is reproduced in Appendix 6 below.
issue to emerge from the review was that of income taxation.

The Government was determined to introduce income taxation in the Territory despite the opposition of the expatriate community. The revenues review, announced in October 1957 and tabled in the Papua New Guinea Legislative Council a year later, was concerned with a range of taxation issues. It recommended, for example, the elimination of export duties to encourage lagging export industries, but considering the 30% proportion policy, any reduction of duties had to be compensated for by tapping some other substantial source of revenue. Thus, both indirectly and directly, the introduction of income taxation was a central feature of the review, and it precipitated a major political crisis. The Commonwealth Government and the Territory Administration did not handle their case as effectively as they might have, but the Commonwealth was prepared to accept a short delay in the introduction of the Bill, and the Administration was prepared to introduce numerous amendments, in order to placate the more moderate elements in the opposition. The Bill was passed in July 1959 and, in the face of unsuccessful legal challenges, income taxation was immediately introduced.

The taxation issue was important for the Commonwealth's financial policy in relation to Papua New Guinea. First, it was recognised that although in the short-term the introduction of income taxation would help redistribute the tax load in the Territory and thereby encourage exports, in the long-term it would also make an important direct as well as indirect (through increased exports) contribution to the financial self-sufficiency of Papua New Guinea. There was no suggestion that the Commonwealth grant would be correspondingly reduced: in fact the contrary was expected.


3 Ibid., p.25.

Hasluck did explain, however, that the Government did not 'aim to keep any fixed proportion between the Commonwealth grant and local revenue...'\(^1\) This suggests that although the grant was still expected to rise, the Government anticipated that locally raised revenues would gradually rise above the 30% proportion previously maintained. That expectation, however, was not to be fulfilled for some years.\(^2\)

Second, the taxation issue demonstrated the ability of the Commonwealth, within certain marginal political constraints, to effect major changes in the Territory's internal financial arrangements. Finally, even though the United Nations Trusteeship Council had been recommending the introduction of income taxation on and off since 1948,\(^3\) when steps were finally taken between 1957 and 1959, the Government did not acknowledge the existence of United Nations interest, let alone pressure. This was consistent with Hasluck's 1954 assertions of self-motivation and self-criticism regarding Australia's administration of the Territory.

When preparations were being made to introduce income taxation, the Government acknowledged that the pace of overall development in the Territory would have to quicken. At the Australian Institute of Political Science Conference on 'New Guinea and Australia', held in January 1958, the Minister for Territories explained the changing situation in the following way:

Hitherto we have had the good fortune that change could take place gradually and without undue external pressure. I think that the slower the growth the sounder it will be. Now, however, the pressures are growing, for a variety of causes, and the rate of change is accelerating. The impact of the outside world no less than the awakening curiosity and interest of the people themselves present us with a far greater urgency than we have ever faced before and this urgency is likely to grow year by year. Part of our present problem, therefore, is to find a way of

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1 Ibid.
2 See Appendix 6 below.
3 Tomasetti, 'Australia and the United Nations', p.70.
dealing more promptly and more realistically with a rapidly emerging series of demands and conflicts of interest while at the same time not forgetting, to the least degree, our ultimate purposes and ideals of conduct. We need to have much more wisdom and understanding in the next 30 years than we were required to have in the past 30 years and to make a far greater effort.¹

The impact of the outside world came from two main directions. In November 1957, the Dutch and the Australians reached an agreement on administrative co-operation between east and west New Guinea. Although this agreement was essentially a diplomatic manoeuvre in the context of the West New Guinea dispute between Indonesia and the Netherlands,² and although Australia was committed to gradual development in east New Guinea, Dutch initiatives in the west could not be ignored. The rapid rate of political and economic development which the Dutch promoted,³ as well as the realities of the Indonesian situation, impressed on the Government that the 1957 Agreement provision for possible ultimate union of the two halves of the island was no longer an acceptable alternative.⁴ Even so, Australia could not afford to develop its half at a pace entirely of its own choosing.

The second source of outside influence was the British Commonwealth. In June 1960, on his return from the Commonwealth Prime Ministers Conference in London, Prime Minister Menzies announced his conversion to the prevailing 'sooner, not later' school of thought on colonial independence.⁵ He had met with Prime Minister Macmillan only a few months after Macmillan's tour of Africa during which he produced the

historic phrase: 'the wind of change blowing through Africa'. Menzies was aware that many African nations would soon be gaining independence and, in passing, he acknowledged the importance of the West maintaining good relations by providing economic aid.\(^1\) He was reported as having been impressed that most of the former British colonies had elected to remain inside the Commonwealth. After comparing the goodwill which existed between Britain and Malaya following 'early' independence, on the one hand, and the strained relations between the Netherlands and Indonesia following forced independence, on the other, he suggested it would be better to give Papua New Guinea early independence than risk hostility which delays would cause. However, at that press conference, Menzies rejected setting political target dates, emphasising that decisions on self-government for Papua New Guinea must still be determined largely by the achievement of adequate standards of living.\(^2\)

The third source of pressure was the United Nations, which had become a focal point for the increasingly assertive anti-colonialist movement. The Trusteeship Council, because of its statutory composition, could not be dominated by anti-colonialist nations\(^3\) but its activities did reflect the greater international interest taken in colonial issues. It increasingly focused attention on the rate of political, economic, social and educational advancement in Papua New Guinea. While, in 1950, 1951 and 1956, it had offered advice concerning overall progress, from 1960, following the fourth visiting mission it had sent to New Guinea,\(^4\) its annual

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\(^1\) In this connection, a year later Australia began to provide a token contribution ($40,000 growing to $400,000 annually by 1964/65) to African members of the Commonwealth through the newly formed Special Commonwealth African Assistance Plan. — Current Notes, Vol.32, No.8 (August 1961), p.45; and see Appendix I, Table I below.


recommendations became stronger and more detailed. Only in 1960 did Hasluck acknowledge that

As a result of recent developments in Asia and Africa and of changes that are taking place in the United Nations, there is increased international interest in the Australian administration of Papua and New Guinea. This interest comes to focus each year, in the comments of the Trusteeship Council of the United Nations and in the debates in the General Assembly.

In the 'fifties Hasluck had played down the role of the United Nations and emphasised Australian initiative. In this 1960 Ministerial Statement he spoke much more positively of the reports of recent Trusteeship Council visiting missions, and was also prepared to expand on the nature of Australia's obligations under the Trusteeship Agreement. Although he was more sympathetic to United Nations involvement, Hasluck still insisted that the Papua New Guinea situation was unique; that comparisons with Asia and Africa were inapplicable and that Australia was not a colonial power in the sense used by anti-colonialists at the United Nations. During another speech in the House in 1963, while denying a rumour that Australia was planning self-government for Papua New Guinea by 1970 or, for that matter, any other date, Hasluck again acknowledged the presence of external influences:

The Government is keenly aware that there will be increasing pressure internationally to hasten towards the day of self-government for Papua and New Guinea.

This United Nations pressure, most often emphasising the political aspect of development, though not discernably influencing Government action, nevertheless helped to create an environment which was conducive to an increase in the tempo

1 Ibid., pp.35-6, 80.
3 Ibid., p.260.
of Government initiatives, political and economic, in Papua New Guinea.1

The Trusteeship Council was responsible for the 1962 Visiting Mission led by Sir Hugh Foot. Its report, submitted in July, recommended among other things an economic survey to be undertaken by the International Bank for Reconstruction and Development (IBRD).2 The Australian Government, which had previously rejected similar proposals,3 was by the end of 1962 prepared to act on the recommendation and requested a World Bank survey.4 This was begun in April 1963 and reported on in October 1964.5

The basic objectives of the IBRD survey, as laid down by the Australian Government, were described in the survey report as follows:

In its request to the Bank, the Commonwealth Government of Australia asked that the Mission make recommendations to assist it in planning a development program for the Territory of Papua and New Guinea designed to stimulate economic growth and raise the standard of living of the people. The Commonwealth Government stressed that its major aim is to help the inhabitants of the Territory to become self-governing as soon as possible and to ensure that when this aim is reached the Territory will, to the greatest extent feasible, be able to stand on its own feet economically.6

It can therefore be appreciated that since self-government and economic viability were regarded by the Australian Government as concomitant goals, international pressure for the political independence of colonies automatically influenced Canberra's

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attitude to economic development in Papua New Guinea. The World Bank survey opened up that issue to further debate.

The Bank report based its 1964/65 to 1968/69 development plan on programme projections and not on available financial resources because 'It was not possible for the Commonwealth Government to estimate for the Mission the magnitude of funds it might make available over the next five years'. The report recommended levels of expenditure which although 'deliberately ... kept on the low side in view of the desirability to limit the need for grant-aid and/or public borrowing', nevertheless involved continual expansion, and it anticipated that these expenditures would still be financed largely by the Australian grant-in-aid. In the proposed development plan there was a strong emphasis on expanding the productive capacity of the Territory by means of investment in areas which would provide the quickest returns, but the Bank Mission indicated that it would still require a determined effort on the part of the Administration to raise local revenues to the estimated 27.5% of total revenues over the next five years. In the short-term, however, the Mission anticipated that the Administration's 27.5% would not be met and that the Australian Government would therefore have to contribute a larger proportion despite the stated desirability of financing 'a larger percentage of the Territory budget from internal revenue'.

The new Minister for Territories, C.E. Barnes, treated the report cautiously. Although the Government had been involved in earlier discussions with the Bank Mission and had received draft copies of the report, six months elapsed between its final submission and its presentation to the House of Representatives. In May 1965 the Government endorsed the

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1 Ibid., p.55.
3 Ibid., p.57.
4 Ibid., p.58.
development objectives of the report and accepted the recommended programmes as a 'working basis for planning'. But it was not prepared to be committed to a series of 'cut and dried' proposals. To this extent, the report was treated little differently from the Government's three year plan of 1954\(^1\) or its five year plan for the period 1962/63 to 1966/67,\(^2\) except that the 1964 Bank development plan was published and therefore open to public scrutiny. The Government was not prepared to commit itself financially more than twelve months ahead with respect to any of these three plans.

Although long-term financing, as recommended by the Bank Mission, was not introduced, the Government did acknowledge, yet again, 'that the development of the economy now envisaged will involve increased Commonwealth financial assistance over the years immediately ahead'.\(^3\) Between 1964/65 and 1968/69, the period of the World Bank projections, Commonwealth contributions did increase. The grant, together with loan revenues, amounted to a total of $387 million at current prices\(^4\) as compared with the Bank Mission's estimate of $364 million at constant prices.\(^5\) Over the 1964/65 to 1968/69 period, the annual rate of increase in the Commonwealth grant was substantial but not as great as for the period 1960/61 to 1963/64.\(^6\) However, the proportion of total revenues which internal receipts constituted rose from 30.9% to 36.8% and averaged 35.4%\(^7\) as compared with the Bank Mission's estimate of 27.5%. Thus, despite pessimistic Mission predictions, the expressed hope of both the Mission and the Commonwealth Government, that the proportion of expenditures financed internally should increase, was gradually being realised, and the 30/70 policy left behind.

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\(^1\) See above p.156.
\(^4\) Calculated from Appendix 6 below.
\(^6\) See Appendix 5 below.
\(^7\) See Appendix 6 below.
However, the Commonwealth grant-in-aid (which filled the gap between internal revenue and expenditure in the Administration budget) was not the only form of Commonwealth expenditure in Papua New Guinea. Since the war, various Commonwealth Departments (other than Territories), instrumentalities and authorities had been directly involved in fields including civil aviation, communications, broadcasting, public works, scientific and industrial research, meteorology and defence. By 1964/65, the non-military expenditures occurring in this way amounted to $12 million, an additional 21% on top of the Commonwealth grant for that year.1 Although significant, these were expenditures which arose as a result of individual _ad hoc_ initiatives which grew out of the separate annual programmes of these Commonwealth bodies. They were not expenditures undertaken in accordance with an overall Commonwealth policy regarding the programme, or the total amount which would be available annually, for development in Papua New Guinea. Estimates of 'other expenditures' were not presented in budget speeches; 'other expenditures' instead were described (for example) as 'now running at the rate of over $5 million',2 a _post facto_ form of accounting which illustrates the unco-ordinated nature of these 'other aid' expenditures. For that reason, 'other aid' is related to policy regarding the grant-in-aid only so far as that policy allows for, but does not directly control, an amount which is spent annually by Commonwealth departments, instrumentalities and authorities other than the Department of Territories.

In pursuit of the objective of economic self-reliance,3

1 These expenditures are classified as 'Other Aid' in Appendix 5 below.
3 The Government had begun to stress economic self-reliance for Papua New Guinea as early as 1960. When introducing the bill which facilitated the raising of internal Territory loans, Hasluck had spoken of the need to make a 'modest...start towards financial self-help for the Territory'. CPD, Vol. H of R 26, 17 March 1960, p.332.
the 1963/64 IBRD Mission also urged the establishment of a new public service wage structure more 'in line with living standards and costs in the Territory'.\(^1\) This reinforced a policy already foreshadowed by Hasluck in 1962. While addressing the annual congress of the Public Service Association of Papua New Guinea, he spoke of the economic and social costs of maintaining an indigenous public service on Australian salary rates.\(^2\) After some vacillation by the Public Service Association over which scheme they preferred, the Australian Department of Territories prepared for the introduction of a single public service with separate pay structures for local and overseas officers. Following the enactment of legislation and the subsequent implementation of the ordinance in September 1964, there occurred 'one of the most bitter political debates in the last decade'\(^3\) with opposition being strongly expressed in both Papua New Guinea and Australia. Despite this, the Government allowed only minor changes, and adhered strongly to the principle of establishing a lower salary structure for the indigenous public servants in the Territory.

In 1967 the Minister for Territories made a statement explaining this action. The Government wanted to lay down a basis of understanding for providing 'technical assistance' in the future; it wanted to avoid leaving Papua New Guinea with the legacy of a high cost Public Service, and it wanted to avoid the creation of a 'mendicant' nation. First, Barnes spelt out the standard justification of high salary levels for experts working under technical assistance programmes. To attract people with skills to the Territory it was necessary

\(^1\) IBRD, *The Economic Development of the Territory of Papua and New Guinea*, p.36.


\(^3\) Langmore, 'Public Service Pay and Localization Policy', p.192.
for them to be given conditions and higher rewards than those based on local standards. Such rewards had to be 'a little better than' those available in the country (Australia) from which the 'expert' was to be attracted.\(^1\) It was just politically unfortunate that in the Territory the local salary standards for indigenous public servants had to be established by scaling down an existing 'expert' salary structure. Second, the Government was keen to avoid the problem of how the newly independent nation could continue to pay its public servants at relatively inflated 'expert' rates. It also believed that such a nation would find it politically difficult to reduce public service standards on independence.\(^2\) Finally, the Government acknowledged that high uniform salary levels could be financed from aid after independence but it indicated that Australia had no desire to build a 'mendicant' nation. Furthermore Barnes claimed that

\[
\text{We cannot call on the Australian taxpayer to bear a greater burden than he is bearing at present.}^{3}
\]

In other words, Australia was not prepared to pay, in future, a subsidy on top of local salary scales for indigenous public servants.

In this issue, reinforced by the attitude of the IBRD Mission, the Government was determined to establish realistic, rather than inflated, levels of local expenditure in order, as in the income taxation case discussed above, to minimise Territory dependence on the Australian grant. Here again there was a very close relationship between those policies designed to bring about economic and political advancement, and the Government's policy regarding the amount of financial assistance it would provide for Papua New Guinea.

\(^1\) \textit{CPD, Vol. H of R 55, 18 May 1967, pp.2321-2.}
\(^2\) \textit{Ibid., pp.2322-3.}
\(^3\) \textit{Ibid., p.2322. On another occasion in 1967, Barnes estimated that the existing Public Service, if fully staffed by local officers, would cost about $25 million at the local rates, but $80 million at Australian rates. - Langmore, 'Public Service Pay and Localization Policy', p.191.}
An indirect consequence of the 1963/64 World Bank survey was that the Government raised for the first time the broad question of alternative sources of external financial assistance for the Territory. Although the Bank Mission had cautioned against the raising of additional public loans because of the Territory's limited ability to service them,¹ Barnes indicated in his Ministerial Statement on the report that the Government would be exploring the possibility of aid from international agencies.² This represented a reversal of policy. In Parliament, in 1956, Harry Turner had proposed the utilization of a World Bank loan to hasten development;³ in 1962 he suggested that it was 'wise and proper' for Australia to 'share this burden that it is not in a position to shoulder'.⁴ And from the Opposition benches, L.R. Johnson proposed in 1960 that the United Nations should take some financial responsibility for the very rapid rate of development in Papua New Guinea.⁵ None of these suggestions led to Government action. The Government felt that Australia did possess the resources required to maintain an adequate rate of development; there was no immediate urgency, and it did not want further international interference in the administration of the Territory. By the mid 'sixties, however, Australia's attitude of exclusive responsibility had been sufficiently eroded for Barnes to accept two United Nations missions to explore the scope for Specialised Agency assistance in specific educational fields.⁶ The first projects to be undertaken by any of the Specialised Agencies were begun during

1966/67\(^1\) and the first IBRD loan was negotiated in June 1968.\(^2\) In addition, in 1963 the Government had decided, as a matter of policy, to take no action to have Papua New Guinea included within the terms of reference of the Economic Commission for Asia and the Far East (ECAFE), but by March 1967 it had changed its policy and had begun negotiations for ECAFE associate membership\(^3\) as a prerequisite for membership of, and borrowing rights within, the Asian Development Bank.\(^4\) The amount initially sought from international institutions was not large but a modest start had been made in the diversification of external sources of assistance open to the Territory.

Another of the objectives of the World Bank Mission was that it should 'make recommendations to assist the Australian Government in planning a development programme' for Papua New Guinea.\(^5\) In September 1968, the Government finally published its first full-scale development programme covering the period 1968/69 to 1972/73 entitled *Programmes and Policies for the Economic Development of Papua and New Guinea.*\(^6\) This

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\(^1\) The terms and conditions applicable for aid from a number of the Specialised Agencies were laid down in a series of basic agreements which were entered into by Australia from February 1967 onwards. The Territory took part in a World Health Organization technical assistance project during 1966/67, and the first project in Papua New Guinea, an International Labour Organisation Pottery Development Project, was begun June 1967—see *CPD,* Vol. H of R 73, 17 August 1971, pp. 151-4.


\(^3\) *CPD,* Vol. H of R 54, 1 March 1967, p. 223. By January 1971, the Territory was attending its first ECAFE meetings in its own right as an associate member—*CPD,* Vol. H of R 73, 17 August 1971, p. 154.

\(^4\) G.O. Gutman (First Assistant Secretary, Department of External Territories), in evidence before a Parliamentary committee on Japan, *Australia CPD,* Senate Standing Committee on Foreign Affairs and Defence (Reference: Japan) (Canberra, 1971-72), pp. 411-2.


\(^6\) Territory of Papua and New Guinea, the Administrator, *Programmes and Policies for the Economic Development of Papua and New Guinea* (Port Moresby, 1968). In 1967, an adviser to the Administration, Mr L.J. Walinsky, considered that the basic reason for the delay in preparing the development plan was the separation between the Administration,
programme, the Minister indicated, followed on from the 1964 World Bank plan for the period 1964/65 to 1968/69.

The 1968 programme involved, for the first time, something of a forward commitment on the part of the Commonwealth Government. It was 'estimated that Administration expenditure under the programme will increase from $155m in 1968/69 to $235m in 1972/73, and average about $200m annually over the 5-year period'. However, Administration expenditure, as usual, was to be financed from local revenues, borrowings and the Commonwealth grant. Thus the stated expenditure commitment did not involve a specific forward commitment of the grant-in-aid, but provided an assurance that the Commonwealth grant would be available to fill the gap between expenditure and other revenues. The Minister for External Territories described the annual process of grant determination as follows:

The actual financial contribution by the Government to the Administration Budget in any one year will of course be subject to the Commonwealth's own budgetary situation and also to any special circumstances arising in the Territory that may reduce the need for the Commonwealth grant. The endorsement of the objectives and targets of the proposed development programme as a basis for planning does not rule out the possibility of changes in future years in the method by which the Government's contribution to the Administration Budget is made.²

Keeping in mind the possibility of a 'dramatic contribution to Territory revenues' from the development of large deposits of copper on Bougainville, the Minister was preparing the ground for reductions in the grant.

which had been charged with its preparation, and the Department of Territories in Canberra, which was responsible for policy decisions. L.J. Walinsky, Development Programme for Papua and New Guinea (mimeo, Department of Territories, 3 July 1967), Memorandum 1, 26 May 1967, p.3.

2 Ibid.
For the immediate future, the Government again acknowledged that increased but unspecified Commonwealth financial contributions would be required but these would now be conditional on increased local revenues. Barnes indicated that the plan provided for 'a growing share of the Territory budget to be financed from internal revenue and loans'¹ and directly linked those revenues with the Commonwealth grant. He explained that

On the basis of mutual cooperation between the Commonwealth Government and the House of Assembly and the people of the Territory, the Commonwealth Government is prepared to assist [with increased financial contributions] the achievement of the programme if the House of Assembly indicates it is prepared progressively to increase the Territory's financial self-reliance by raising the level of Territory revenue and loan receipts as much as practicable over the period of the programme.²

Despite the Minister's specific reference to 'a growing share', there was still some doubt within the Territory Administration as to whether the Government intended the existing proportion to be increased and if so, by how much? or merely maintained.³ In practice, after an unusual jump in 1969/70 due to loans in connection with the Bougainville copper project, the grant and local receipts proportions of the Territory budget remained constant, as can be seen in Table 3 below. However, during the previous decade, the proportion of receipts raised by Papua New Guinea itself (i.e., internal revenue plus loans) had increased from approximately 35% to 51% largely as a result of loans raised from Papua New Guinean institutions (such as superannuation funds, the copra stabilisation fund and banks) and Australian financial institutions, and consequently, throughout the 'sixties, the Territory's dependence on the Commonwealth grant had been correspondingly reduced.

For some years it had been Government policy to 'assist towards financial independence by progressively giving the

¹ Ibid. See also Territory of Papua and New Guinea, Programmes and Policies, p.115.
³ Private communication from Dr M.L. Parker, Canberra, October 1972.
# Table 3

Papua New Guinea

Sources of Receipts:

Commonwealth Grant (including Special Commonwealth Loans and Allowances for Expatriates), Internal Revenue, and Loans

<table>
<thead>
<tr>
<th>Year ended 30 June</th>
<th>Commonwealth Grant</th>
<th>Internal Revenue</th>
<th>Loans</th>
<th>Total Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$M</td>
<td>Percent</td>
<td>$M</td>
<td>Percent</td>
</tr>
<tr>
<td>1969</td>
<td>87.3</td>
<td>58.3</td>
<td>55.1</td>
<td>36.8</td>
</tr>
<tr>
<td>1970</td>
<td>99.3</td>
<td>48.6</td>
<td>72.4</td>
<td>35.5</td>
</tr>
<tr>
<td>1971</td>
<td>107.8</td>
<td>48.6</td>
<td>83.4</td>
<td>37.6</td>
</tr>
<tr>
<td>1972</td>
<td>119.9</td>
<td>48.2</td>
<td>95.2</td>
<td>38.2</td>
</tr>
<tr>
<td>1973</td>
<td>127.2</td>
<td>49.5</td>
<td>93.1</td>
<td>36.2</td>
</tr>
</tbody>
</table>

Note: 1. Percentages may not add to 100 due to rounding.

Sources: This table is adapted from Papua New Guinea, *Budget Papers 1972/73* p.21 (in Appendix 6) and *Budget Papers 1973/74*, p.21, by the addition of the Commonwealth payments for Allowances for Expatriates in the last three years. In that way, the Table is internally consistent and the false impression of a decreasing grant proportion gained from *Budget Papers 1972/73* is avoided. That decreasing proportion was due to altered methods of accounting for part of the Commonwealth grant. (see below p.175).
Territory more financial autonomy as its capacity to contribute to its own revenues increases. In 1970, when the Territory was contributing more than half of the Administration receipts, a large step was taken towards financial autonomy. In July, in the context of constitutional changes which provided for increased responsibility for House of Assembly Ministerial Members, the Commonwealth grant was re-arranged in order to facilitate a partial transfer of authority. In future it was to be shown in the Commonwealth estimates as

   (a) The amount intended for development purposes;
   (b) Grant-in-Aid;
   (c) Allowances and other benefits for expatriate officers of the Public Service of Papua and New Guinea; and
   (d) Loans for special development projects.

The Grant-in-Aid, when added to the locally raised revenues, was now to be controlled by the Administrator's Executive Council and the responsible Ministers. The Commonwealth was thus relinquishing control over roughly one-third of its grant. The Allowances component was not to appear in the Territory Budget. Following representations made to the Government, those allowances were to be paid by the Commonwealth directly to the expatriate officers. With regard to the amount intended for development purposes, Prime Minister Gorton explained in his inimitable style:

   We will have also in the Australian Budget a development grant. That development grant

1 This statement had been made in April 1966 during discussions between the Minister for Territories and the Papua New Guinea House of Assembly Select Committee on Constitutional Development - CPD, Vol. H of R 51, 12 April 1966, p.1088.


3 Ibid., p.14. Barnes did not indicate who it was who had made representations to the Government. Representations aside, in 1967 the Government had received the advice that the total pay and associated costs of expatriate staff, being of the nature of overseas technical assistance, should not pass through the Territory budget - Walinsky, Development Programme for Papua and New Guinea, Memorandum 3, 13 June 1967, p.2.
for the general development of Papua and New Guinea Territories will remain with, and be negotiated, of course, by the Australian Government and the Government up here, but its expenditure, since it will be provided entirely by the Australian taxpayer, virtually entirely, will remain the responsibility of the Australian Government. In other words, we will want to see that a general development grant is expended on these projects for which it is voted, and we will want to oversee that it is properly expended on those projects.1

Thus the method of presentation and the degree of control exercised had been changed significantly with the objective 'that in future the Commonwealth's aid will go mainly to development projects and other specific forms of aid'.2 However, it was stated that these changes would not affect Australia's aid policy insofar as 'large-scale Australian aid will continue to be made available to Papua and New Guinea after self-government and independence...'3

While large-scale assistance was still to be provided by Australia, some other countries were beginning to provide token but gradually increasing, amounts of bilateral aid. International assistance was initially sought by way of the multilateral international aid agencies,4 but the breakdown in the concept of 'exclusive responsibility' also paved the way for small amounts of bilateral assistance from Canada5 and Japan.6 In the latter case it was reported, in 1971, that

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1 John Gorton, 'Steps Towards Self-government in Papua and New Guinea', in Prime Minister's Department, Steps Towards Self-government, p.5
2 Department of External Territories, 'Australian Aid to Papua New Guinea', Submission to the Parliamentary Joint Committee on Foreign Affairs (mimeo, Canberra, 24 July 1972), p.2.
3 Barnes, 'Increased Responsibility for Ministerial Members', pp.12, 14.
4 Between June 1968 and March 1972, for example, loans to the value of $58.5 million were negotiated with the World Bank group and the Asian Development Bank. Department of External Territories, 'Australian Aid to Papua New Guinea', p.13.
5 Department of External Territories, evidence on Australian Aid to Papua New Guinea, in Australia, Commonwealth Parliament, Joint Committee on Foreign Affairs, Sub-committee on Foreign Aid, 'Transcript of Evidence on Australian Foreign Aid' (hereafter cited as 'Parliamentary Transcript on Aid') (mimeo., Canberra, 1972), p.A937.
the Australian Government had refused an offer of economic aid to Papua New Guinea,\(^1\) but Japanese technical assistance had already amounted to $8,400 in 1970 and $33,585 in 1971.\(^2\) Although, due to conflicting reports, the amount involved was not clear, it appeared as though further Japanese development assistance to the Territory was being considered in 1972.\(^3\) During that year, the new Minister for External Territories, Andrew Peacock, explained the Government's broad approach to bilateral assistance from other sources. There was no suggestion that assistance from other donors would be actively sought by Australia, but he said

"Other countries may well wish to direct some portion of their overseas aid towards Papua New Guinea. The Government of Papua New Guinea would no doubt wish to examine such proposals ... personally I see no reason why Papua New Guinea should not welcome assistance from other donors.\(^4\)"

This speech reflected the Government's recognition that an independent Papua New Guinea would want to develop its own foreign relations, including its aid relations, with other countries. Canberra therefore encouraged Papua New Guineans to consider alternative bilateral aid sources and suggested the possibility of a number of countries and organisations forming an aid consultative group such as existed for Indonesia.\(^5\)

However, the Liberal/Country Party Government still considered, in 1972, that Australia had, and would continue to have, a special obligation towards Papua New Guinea. As Peacock put it:

\(^1\) *Bulletin*, 1 May 1971, p.31.


\(^3\) Ibid.; Ibid., 16 October 1972, p.1; and see also Department of External Territories evidence in 'Parliamentary Transcript on Aid', pp. A.935 – A.937.


\(^5\) Ibid., pp.37, 39.
In my view, it could not be contemplated that the formal termination of Australia's obligations to Papua New Guinea under the UN Charter when Papua New Guinea becomes independent will mean that Papua New Guinea will cease to occupy a somewhat special position in Australian eyes.1

Later, in a statement on Australia's total foreign and territorial aid programme, the Minister for Foreign Affairs justified the major proportion allocated to Papua New Guinea by claiming that it was a country 'with great development needs' for which Australia had 'particular responsibilities'.2

This special relationship can be seen as resting on five main considerations. First was the significance of Papua New Guinea for Australia's defence. Initially this was expressed in terms of the immediate and vital strategic importance of the island, but in line with shifting perceptions of Australia's foreign policy environment, from the 'sixties Papua New Guinea's significance was seen in more general security terms.3 This was so despite the growth of Australian defence expenditures in the Territory from the early 1960s.4 Second, the Government acknowledged that Australia had a humanitarian and moral obligation to advance the welfare of territories in its charge, and to that end in the last years of the war it abandoned the pre-war colonial policy of financial self-sufficiency and became committed to providing substantial economic assistance. Third, the post-

1 Ibid., p.38.

2 Bowen, Australian Foreign Aid, p.10.


4 Defence preparations in the 'sixties were initially prompted by the dispute over West Irian and Indonesia's confrontation of Malaysia - F.A. Mediansky, 'New Guinea's Coming Army', Ibid., p.38. Annual Commonwealth defence expenditures on Papua New Guinea were not published in a systematic form before 1973 (see Frank Crean, Australia's External Aid 1973-74 (Canberra, 1973), p.3), but deduced figures for the period 1962/63 to 1971/72 appear in Appendix 8 below.
The Labor Government placed considerable store on internationalist considerations and did not hesitate to make Australia's New Guinea mandate the subject of a trusteeship agreement. With the joining of Papua and New Guinea in an administrative union in 1949, both territories in practice became subjected to United Nations trusteeship obligations. This consideration was not acknowledged by subsequent Liberal/Country Party Governments as particularly significant, but it increasingly influenced Canberra's policy from the early 'sixties. As a result of these three considerations, Australia made a major and expanding commitment of grant aid to the Territory, assuming, both in Canberra and Port Moresby, full administrative control of post-war relief, rehabilitation and then development. Thus Australia's heavy financial and human involvement in the affairs of Papua New Guinea since the war can be regarded as the fourth consideration underlying the special relationship which developed. Finally, as a result of the development policies pursued from time to time, economic considerations came to contribute to Papua New Guinea's 'special position in Australian eyes'. Australian individuals and business interests, encouraged by the Liberal Government's private enterprise philosophy, developed a considerable stake in the economy of the Territory and in so doing established close links between the two countries. Of these five considerations, only the formal obligations of the United Nations Trusteeship Agreement will disappear with independence. The other four will sustain for some years that special relationship which will ensure that after independence Papua New Guinea will continue to receive the major share of Australia's annual foreign aid appropriation.
SUMMARY OF PART II

Part II has focused on declared official foreign aid policy in order to depict the image the Government created, intentionally or otherwise, of Australia as an aid donor. This has been done in full recognition of the particular character of ministerial statements. They were prepared after the event to place government action in the most favourable light and rarely, if ever, adequately explained all the factors leading to the action in question. Moreover, ministerial statements which periodically reviewed foreign aid were often prepared on the basis of the wording and format of preceding reports. For this reason a degree of scepticism is justifiable when the explanatory value of ministerial or departmental statements is assessed. However, the central question in Part II of this thesis is not 'why were certain policies adopted.' (although that is considered peripherally), but 'what impression of the underlying considerations and objectives associated with Australian foreign aid policy was conveyed by the Government to the domestic or international public?'

Australian initiatives over the creation of the Colombo Plan were taken at a time when the Government was particularly concerned about the security of the South and South-east Asian region and the threat posed by Communism. Consequently, the political advantages accruing to Australia received most attention when aid policy was justified. The Colombo Plan for economic development in South and South-east Asia was designed to stimulate the development of states so they might become more prosperous and therefore more politically stable. It was designed to encourage the growth of 'free and democratic' institutions in the face of communist pressures, institutions which, by implication, would be in sympathy with those of the Western World. And through the Colombo Plan, Australia hoped to encourage a greater degree of United States' involvement in Asian affairs. With infrequent qualification, economic development was portrayed as the panacea for the political and economic problems of countries in the region.
The emphasis on political considerations was not to the exclusion of references to humanitarian and economic factors which the Government took into account, but they received relatively little elaboration. Government statements occasionally focused on the world trading situation but little was made of particular Australian economic advantages which could flow from the aid programme. Likewise, only brief references were made to Australia's moral obligation to consider the needs of poorer countries.

By the early 1950s, Australian territorial aid to Papua New Guinea had become well established as an item in the annual Budget. Even though both territorial aid and foreign aid were for a short period the responsibility of the one Minister, no direct connection was made between the two forms of aid. Nevertheless, in broad terms there were strong similarities between a number of the stated considerations underlying policy in the two areas. Concern was expressed for 'native welfare' in Papua New Guinea; reference was made to the potential contribution the Territory could make to help alleviate world economic shortages; and the strategic importance of the Territory to Australia was made particularly clear. In an ideological sense, Australia was as keen, if not keener, to establish Western democratic institutions in Papua New Guinea as it was to encourage democracy in other countries by means of foreign aid. In both cases there was the unquestioned presupposition that Western institutions were the most logical and 'modern', but in addition foreign aid policy statements contained the competitive notion that democratic institutions should be encouraged as a direct counter to communism.

Australia's direct control of the Territory gave rise to the major differences between the objectives and underlying considerations associated with the two forms of aid. First, Australia sought to improve its diplomatic relations with other countries by means of foreign aid. However, as a long period of colonial rule was expected, the improvement of diplomatic relations between Australia and Papua New Guinea was not then regarded as pertinent to territorial aid policy.
Second, territorial aid was supplied by the Commonwealth and, together with internal Territory revenues, was also expended by Australians. Australian public servants in Canberra and Port Moresby devised and administered the Territory's total development programme. Whereas foreign aid was provided on a government-to-government basis, territorial aid was provided on a government-to-people basis. This was more analogous to Commonwealth involvement in the development of the Australian Capital Territory or the Northern Territory than to its involvement, by means of foreign aid, in the development of Colombo Plan countries.

Third, in Papua New Guinea, Australia was directly responsible for ensuring that all the necessary financial resources were available. Finally, Australia's direct responsibility for the Territory and its people grew out of national (in the case of Papua) and international trusteeship (in the case of New Guinea) obligations. Thus, in marked contrast to foreign aid policy, significant legal obligations lay behind Australian aid to the Territory.

Although foreign aid and territorial aid policies were being formulated according to different criteria in two separate departments, in certain respects official statements suggested the existence of similar policy trends throughout the 1950s. Except in the area of SEATO defence support assistance, foreign aid seemed to become less obviously associated with foreign policy, taking on a somewhat separate 'development assistance' existence of its own. Territorial aid policy also increasingly focused on the 'development of Papua New Guinea', as though that were the only policy objective. Strategic considerations became part of the background against which development policy in Papua New Guinea, and with it territorial aid policy, was formulated. Within that framework, more attention was given, in such areas as income taxation, to establishing the foundations of a self-reliant economy in Papua New Guinea.

Throughout the 1960s, both aid policies continued to be separately formulated in the two departments, Territories and External Affairs, despite the practice, which became established by 1963, of incorporating territorial aid
statistics into those of Australian foreign aid in accordance with international convention. The only effect of the new statistical representation was that Papua New Guinea was portrayed as the major recipient (receiving approximately 70 per cent) of Australian 'foreign' aid.

During the decade of the 'sixties, economic, social and political development in the Territory took place at a faster rate under the influence of local (Papua New Guinea), Australian and international pressures, and the Commonwealth's financial commitment continued to rise at a substantial rate. Further steps were taken, notably in the areas of public service salary levels and the proportion of expenditure to be financed from internal revenues, towards preparing for an economically self-reliant Papua New Guinea which would be less dependent on the Commonwealth grant-in-aid. In the course of its justification of the new reduced salary structure, the Australian Government gave its first indication that its territorial aid and foreign aid policies were beginning to converge. The higher wage structure for expatriate public servants was justified by describing them as analogous to 'technical experts' within foreign aid programmes. The Commonwealth had decided that Papua New Guinea would not be able to afford 'expert' salary levels for its indigenous public servants; nor was Australia prepared to underwrite indigenous public service salaries which were high compared with other developing countries.

In 1970, the Commonwealth introduced changes in the way in which the Territory grant-in-aid was provided, as part of the process by which substantial powers were transferred from the Commonwealth to the Papua New Guinea Government. Previously, when Canberra exercised complete control over the Territory Administration, the total grant took the form of budget support to meet the difference between expenditure and revenue. As it eventuated in the Budget following the 1970 changes, approximately one-third of the grant was designated budget support under the control of Papua New Guinean Ministers. Approximately one-third was set aside for development 'projects' in the selection of which the Australian Government still retained considerable say. And
the remainder, which financed expatriate public service allowances (the amount by which expatriate salaries exceeded indigenous salary levels) was paid directly by the Commonwealth to the expatriates without passing through the Papua New Guinea Budget. Thus, as Papua New Guinea gained greater powers of self-government, it only partially assumed powers of control over Australia's territorial aid. With independence anticipated within a matter of years, territorial aid was being restructured such that it more closely resembled foreign aid. Expatriate allowances were part of the costs of administrative 'technical assistance' to Papua New Guinea. Untied 'budget support' aid was rarely provided through Australian foreign aid programmes; as Papua New Guinea became increasingly self-reliant, this aid category was to be the first to disappear. And the Commonwealth was to retain a substantial measure of control over the 'development' element of the grant. After independence, that would resemble the kind of control Australia exercised over 'capital assistance' through its foreign aid programmes, except that for some time in Papua New Guinea Australia would be making the major capital aid contribution and would therefore be in a position to exercise a greater controlling influence.

Meanwhile, throughout the 'sixties, foreign aid policy was being adapted to accord with some changing elements of Australian foreign policy. In the early years of the decade, aid policy seemed to have become as much, if not more, strategically oriented than it had been in the early 'fifties. The introduction, between 1962 and 1965, of military aid programmes for India, Malaysia\(^1\) and South Vietnam, and the

\(^1\) It should be noted here that Indonesia's increased level of military activity during 'confrontation' precipitated both an Australian military aid programme for Malaysia and a marked increase in Australian Defence Department expenditures in Papua New Guinea. For all the talk of the strategic importance of the Territory, defence preparations there were minimal until there emerged a potential threat from across the border.
expansion of SEATO defence support aid, served to reinforce that impression. The apparent strategic emphasis in aid policy, however, was more a reflection of the Government's foreign policy preoccupation with military instability in particular in South-east Asian countries. A generalisation concerning the priority of strategic considerations in the formulation of Australian foreign aid programmes in all countries is clearly not warranted from the evidence adduced, but that evidence does illustrate the nature of Australia's foreign aid response to perceived military threats to particular countries in the region.

While strategic considerations were very much to the fore so far as foreign aid programmes in some countries were concerned, during this period there was also emerging, in ministerial statements, a more definite emphasis on the economic development objective of Australian foreign aid. Concomitantly a greater level of interaction began to take place between Australia and those international institutions concerned about foreign aid, development issues, and aspects of international economic co-operation affecting the less-developed world. Australia began to take more account of these issues, and official statements suggested that the Government was taking more seriously its moral obligation to assist countries in greater need. Towards the end of the period under study, however, the Government indicated that such altruistic considerations should be seen alongside those benefits, both political and economic, which Australia still expected to derive from its foreign aid programme. To the extent that diplomatic, ideological and military advantages were being sought after, the earlier emphasis on the goal of 'economic development' is seen to have been the result of the Government's more covert pursuit of political objectives by means of foreign aid.
CHAPTER SIX

THE BUREAUCRACY 1950-1964

This and the following chapter examine foreign aid policy as portrayed within selected case studies of public service involvement. A broad distinction is made here between departments which were concerned with aid policy (the subject of these chapters) and those which administered the various elements of the aid programme. Although it also had substantial administrative responsibilities, External Affairs was the principal department in the policy area, an area which also involved Treasury to a significant degree. Other departments such as Trade and Industry and Primary Industry, though having no direct responsibility, were occasionally involved in the policy area, and to that extent, they also are discussed in these chapters. On the administrative side, such departments as Education and Science, Labour and National Service, Immigration, and Supply had important functions, but these departments were rarely concerned with policy as such,¹ and the part they played in the implementation of the aid programme is not explored in this thesis.

The early implementation of the Colombo Plan

In January 1950, with assistance from his External Affairs advisers, A.H. Tange and L.R. McIntyre,² Spender laid down the broad outlines of Australia's policy of providing economic assistance for developing countries. The significance of Spender's Colombo Plan initiatives for Australian foreign

¹ The Department of Education and Science (after its formation in 1966), for example, was responsible for administering the educational aspects of the foreign aid programme. Within that area it was responsible for policy - educational policy - but only in so far as that policy did not impinge on Australia's overall foreign policy. See Chapter One above where this policy distinction is discussed at greater length.
² Later Sir Arthur Tange and Sir Laurence McIntyre.
policy has been fully examined in Chapter Three, but in succeeding months during which details were worked out, the responsible department - External Affairs - had by no means a free hand. Even at Colombo in January, External Affairs officials exercised some caution in anticipation of a critical response from the Department of the Treasury to a scheme which had not received prior Cabinet authorisation. Priority was given to the relatively modest technical assistance element in the overall scheme while the capital assistance component was handled more cautiously. By May, with the backing of the Prime Minister, Spender was able to go to the Commonwealth Consultative Committee meeting in Sydney with concrete short-term proposals for a three year $20 million ($8 million sterling) technical assistance scheme and a $37.5 million ($15 million sterling) fund for emergency food supplies. The technical assistance proposal was adopted, and in August the Australian Government agreed to a contribution of up to $7 million over the three years from 1 July 1950. The Government had pressed for an immediate start to the technical co-operation scheme and had accepted responsibility for a substantial 35 per cent contribution, so that development assistance could begin without having to wait for the preparation of development plans for each country. Spender was very keen to maintain the momentum which had been generated at Colombo and Sydney. Then in December, after the needs of countries in the region had been presented at the London Consultative Committee meeting, the Government announced Australia's contribution towards long-term economic development in South and South-east Asia - the capital assistance component of the Colombo Plan. Australia was to provide $62.5 million ($25 million sterling) over the six years of the Plan, to begin in July 1951.

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1 Interview with a public servant who was at that time an External Affairs official involved with foreign aid.
2 See Chapter Three, pp.67-8, above.
3 CPD, Vol.211, 28 November 1950, p.3187.
4 See also Chapter Three, p.68, above.
That amount represented approximately 2.3 per cent of the estimated external financial needs of the developing countries in the Colombo Plan area at that time.\(^1\) Treasury constraints may well have been considerable: in his December announcement Spender indicated that Australia would have made a greater contribution but for the 'present large and increasing demands on its financial resources'.\(^2\)

In 1951/52, the first financial year of the major capital assistance element of the Colombo Plan, Australia optimistically allocated $17.5 million, nearly 30 per cent of its six-year contribution, 'in view of the larger requirements of the programmes in the earlier years'.\(^3\) Aid worth $13 million was offered to India, Pakistan and Ceylon,\(^4\) and $4.5 million was set aside to indicate the ready availability of Australian aid for countries such as Burma, Indonesia and Thailand which it was hoped would soon join the Plan.\(^5\) By the end of 1951/52, Burma and the Indochina States had joined but no aid was provided to their governments during that financial year. Furthermore, as a result of unforeseen delays, only a little under $7 million of the $13 million allocated was spent on behalf of India, Pakistan and Ceylon.\(^6\)

Australia's first-year allocations were underspent because membership of the Plan did not expand as quickly as the Government had anticipated. In addition, however, the

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\(^1\) Estimated at £1,084 million sterling - *Colombo Plan Report* (September-October 1950), p.58.


\(^3\) Ibid.

\(^4\) $8.4 million was offered to India, $4 million to Pakistan and $0.3 million to Ceylon. See the exchange of letters between the Australian Minister for External Affairs and the High Commissioners for India, Pakistan and Ceylon, 24 September 1951, in *Current Notes*, Vol.22, No.9 (September 1951), pp.505-510.

\(^5\) Ibid. See also Singh, *The Politics of Economic Cooperation in Asia*, pp.183-7, on the growth of membership of the Colombo Plan.

\(^6\) For details, see Appendix 2 below and CPD, Vol. H of R 19, 15 and 16 May 1958, p.1958. This figure of a little under $7 million also includes a small amount spent under the technical assistance scheme.
grants allocated to India and Pakistan were not fully expended partly because of Australian inexperience in aid-giving and an inadequate appreciation, by Australians, of administrative problems at both the recipient and the donor ends of the process. In part, also, recipient countries were not adequately prepared to take up offers of assistance.

As it is not central to this thesis, it is only intended here to give a brief indication of the situation in recipient countries. The regional members of the Colombo Plan were feeling their way with long-term development plans and were only beginning to appreciate the part that external aid could play in their programmes. Australian aid to Pakistan, for example, was the item most heavily underspent in 1951/52. In the report of the Karachi Consultative Committee meeting (March 1952) it was acknowledged that the Pakistani 'Six-Year Programme was hurriedly prepared within a period of just three months ... and later examination has revealed inadequacies and omissions'. Under these circumstances it was difficult for the Australian High Commission in Karachi to reach agreement with the Pakistani authorities over development projects to which Australia could contribute. This situation was only overcome when a Pakistani mission was invited to Australia to inspect the available range of equipment. The newness of development planning in countries in the Colombo Plan region can also be gauged from a Departmental article in Current Notes on the progress of one aspect of the Plan.

It took some time for the [Technical Co-operation] Programme to gain full momentum, since recipient countries had to define their needs for experts, training and technical equipment, and contributing countries had to find ways of meeting these needs.

1 Interview with a public servant who was at that time an External Affairs official involved with aid, both in Canberra and overseas.
2 Quoted in Current Notes, Vol.23, No.10 (October 1952), p.557.
3 Interview with a public servant who was an External Affairs official involved.
4 Current Notes, Vol.23, No.10 (October 1952), p.558.
Recipient countries were not able to avail themselves fully of Australian aid; at the same time Australians had to develop expertise in aid-giving.

**External Affairs aid expertise and organisation**

In the early 1950s, knowledge among Australian External Affairs officials of the political and, even more, the economic situation in the countries of South and South-east Asia was limited. Apart from London, Australia's overseas diplomatic service had been developed only within the previous decade, and a number of South and South-east Asian missions were only established in the late 'forties. In 1951, after a visit to the area, Casey and his departmental Secretary (A.S. Watt) came to appreciate more fully the importance of the region and the weaknesses of Australia's diplomatic representation. Consequently, among other changes, in early 1952 the Consulate General in Bangkok was upgraded to a legation and legations were established in Burma and Vietnam (for the purposes of representation in Cambodia and Laos as well). As Australian missions in South and South-east Asia had been in existence for such a short period, it was inevitable the Department would not yet have included among its staff many officials who had detailed knowledge of the region.

Initially aid project negotiations were undertaken between External Affairs officials and representations of Colombo Plan countries in Canberra but this was not found to be at all satisfactory. From about 1953, possible projects were the subject of discussion between the Australian mission and the relevant government departments in the country in question. Both the missions and the Department in Canberra were looking for worthwhile projects with which Australia could cope, considering that capital equipment was not readily available. At that time, the practice was also begun of occasionally sending a specialist from the Commonwealth Scientific and Industrial Research Organisation (CSIRO) or from the

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1 Later Sir Alan Watt.
Australian National University, for example, to report on projects under discussion. For a number of years, however, the Department was feeling its way on aid.¹

In the early years of the programme, effective aid administration in Australia was limited not only by a lack of expertise but also by the number and status of the staff directly responsible. Until 1954 there were approximately ten officers of temporary status only, in the Economic and Technical Assistance Branch, including the Branch head and staff based in Sydney and Melbourne as well as Canberra.² Only temporary positions had been approved because the Colombo Plan was only formally of six years' duration and the Public Service Board had a policy of not creating permanent positions until it was established that they would be required for longer than seven years. The temporary nature of the staff in these first few years was a decided administrative weakness. It was difficult to encourage temporary officers to develop a long-term interest in the development problems and aid requirements of countries in the region.³

By 1954, External Affairs had made a successful case for the existing administrative structure for foreign aid to be established on a permanent footing with three or four additional officers and a support staff of two typists.⁴ However, the submission that aid programmes would continue beyond seven years had not been accepted easily. The report of the London Commonwealth Consultative Committee meeting (September-October 1950) had concluded the section on 'The Provision of Finance' on a conditional but optimistic note.

¹ This broad picture of early aid administration was obtained from an interview with a public servant who was an External Affairs official involved.
² Information obtained from the Department of Foreign Affairs, 20 December 1973.
³ Interview with a public servant who was an External Affairs official involved with aid at that time.
⁴ Information obtained from the Department of Foreign Affairs, 20 December 1973.
As the national income and productive power of these countries grow, they will be better able to finance their own development. As the development of basic services proceeds, the emphasis in new development will tend to pass from the public to the private sector. If in this period it is possible to build up an international flow of private capital, at the end of six years the need for special measures will come to an end.¹

This view coincided with those held by a number of economists in External Affairs and other departments who felt that the Colombo Plan constituted another 'Marshall Plan' of limited duration. With relatively little expertise on Asia within External Affairs, it was not easy to influence the current view away from 'Marshall Plan' concepts and towards an appreciation of the long-term nature of the very different development tasks ahead in South and South-east Asia.²

In the early 1950s External Affairs aid officials were also hampered by a lack of information on available materials and equipment which could be included in the programme. Wheat and flour stocks could be easily assessed but manufactured goods posed a different problem as none of the relevant departments (Trade and Customs, Commerce and Agriculture, or National Development) could provide adequate information.³

In order to rectify this situation, a member of the Australian Trade Commissioner Service was released in January 1952 from Commerce and Agriculture to take up the new position of Director of Colombo Plan Supplies, situated in Melbourne. In the statement concerning the appointment, it was explained:

The Government expected that Mr Todd's appointment would provide a point of contact for those interested in supplying goods and would generally facilitate the fulfilment of Australia's commitments under the Plan.

² Interview with a public servant who was an External Affairs official involved with aid at that time.
'There are a number of difficulties to be faced', concluded the Minister, 'but it is of first rate importance to Australia that the Colombo Plan should succeed. I ask for the co-operation of Australian industry and commerce in making the Australian contribution to the Plan a conspicuous success'.

Just nine months later Casey was able to say that 'Australian manufacturers were co-operating fully in providing lists of goods which could be made available, and were showing their willingness to undertake contracts for equipment of many kinds which would be of great use in various developmental projects'.

Gradually the initial problems of aid administration were overcome and the Economic and Technical Assistance Branch in External Affairs became more adept at providing Australian goods and services to meet appropriate priority needs as outlined in the development programmes of Colombo Plan countries.

Initial terms of foreign aid

From the outset Australian foreign aid predominantly took the form of commodities, materials and equipment. An examination of the terms on which aid was supplied helps to show what considerations went into Australian aid policy.

The type of aid offered in 1950 and 1951 was similar to that which had been provided in the 'forties under UNRRA, but Colombo Plan aid had a different objective - economic development assistance, as opposed to war devastation relief, or rehabilitation of previously functioning productive enterprises. So a different set of aid criteria was involved.

In the 1950 Consultative Committee Report, it was clearly recognised that for the developing countries of the region, expanded trading opportunities were important. Furthermore, the Report asserted that for the purposes of creating a improved infrastructure

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self-sustaining pattern of world trade, within which the trade of South and South-east Asian countries would be an essential element,

it is desirable that whatever means may be adopted for providing a flow of capital should not involve the tying of purchases to particular sources of supply, but should permit the available funds to be used in the most advantageous manner [in recipient country terms].

For a number of reasons, Australia was not prepared to make that concession. Her economic development assistance, or capital aid, was tied to Australian goods, first, because to Casey it was important for the development of good relations to have an aid programme that was observable, involving projects or equipment with which Australia could be seen to be associated. Where at all possible, a plaque bearing the kangaroo symbol was attached. When Australian aid was supplied in the form of wheat or flour, the Government was insistent that the local currency proceeds from the sale of these commodities should in turn 'be used by the Government of India [for example] in a manner contributing towards the achievement of the objectives of the Colombo Plan...'. In practice this involved advising Australia that these local currency proceeds had been used in the construction of a particular developmental project, such as the Tungabhadra hydro-electric and irrigation project in Hyderabad (for which Australia was later asked to supply earthmoving equipment) or the establishment of chest clinics in Ceylon. However, as an External Affairs official commented later, this attempt to associate commodity aid with development projects became a little farcical: the Ceylonese Government, for example, would simply identify a project which it knew would appeal to Australia. Nevertheless this exercise was politically useful

1 Ibid., p.62.
2 Interview with a public servant who was an External Affairs official involved with aid at that time.
3 See the exchange of letters between Casey and the High Commissioners of India, Pakistan and Ceylon, *Current Notes*, Vol.22, No.9 (September 1951), pp.506-10.
5 Interview with a public servant who was an External Affairs official involved with aid at that time.
and helped to convince Australians of the value of commodity or food aid as 'development assistance'.

Second, the Government decided to tie its foreign aid to the purchase of Australian goods because, in the early 'fifties, the Treasury was concerned about Australia's balance of payments position. For the same reason, the Government attempted to ensure that these goods contained a low proportion of imported parts, thereby minimising the effect of aid on Australia's limited dollar reserves. As Casey put it in 1953:

> normally we aim under the Colombo Plan to supply developmental equipment that is nearly as possible 100 per cent. manufactured in Australia. In particular we avoid supplying any equipment that has any appreciable dollar content.\(^1\)

At that time, however, there was little which was wholly manufactured in Australia, so in 1955, to ensure that the regulation conformed more closely to reality, and because Australia's balance of payments situation had eased somewhat, Treasury initiated a change in the content stipulation from 100 to 66.2/3 per cent. At first sight, Treasury concern about the balance of payments effects of Australian foreign aid is difficult to understand: the amount involved was relatively very small. Treasury, however, did not want a precedent established in which balance of payments considerations were ignored.\(^2\)

The third reason for tying foreign aid involved Australian commercial interests. In the opening remarks of his address to the Melbourne Junior Chamber of Commerce, in July 1953, Casey indicated that the Colombo Plan was 'not an instrument for trade promotion'.\(^3\) In the body of his speech, however, he described in broad terms the range of equipment which had been, or was to be, included in the foreign aid

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\(^1\) *Current Notes*, Vol.24, No.7 (July 1953), p.399.

\(^2\) Interviews with a public servant who was an External Affairs official involved with aid at that time, and a Treasury official involved with foreign aid.

\(^3\) *Current Notes*, Vol.24, No.7 (July 1953), p.398.
programme. The implication of benefits to Australian manufacturers arising out of the aid programme would not have escaped an audience drawn from industry and commerce. Foreign aid contracts, apart from their immediate value in terms of additional sales, could lead to further requests for the commercial export of equipment and spares.1 This consideration had to be handled carefully by External Affairs. The Colombo Plan was not a trade promotion exercise. That would detract from its important diplomatic objective. Yet the full co-operation of industry had to be encouraged if the Plan was going to succeed, and therefore manufacturers' interests had to be recognised.2

For these three reasons - observable diplomatic impact, balance of payments, and concomitant benefits for Australian industry - Australia was not prepared to provide untied financial aid as recommended by the London Consultative Committee meeting. In this respect Australian diplomatic and economic interests were regarded as being of greater importance than considerations which were acknowledged as of value to recipient countries, and in this respect also, External Affairs, Treasury and Trade and Customs (in so far as they were involved), were in substantial agreement.

However, the interests of developing countries were taken into consideration when Australia came to decide on the loan or grant terms on which its capital assistance would be provided. The 1950 London Report followed the recommendation on the provision of untied aid by adding:

It is likewise desirable that the flow of capital should not be arranged in a manner which involved such burdens of future repayment as would frustrate the purpose of stimulating an expansion of trade.3

The terms of aid had not yet been determined when Australia's

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1 The existence of this sales and trade element in the early decision to provide aid in the form of goods was confirmed in interviews with Sir John Crawford (Canberra, 14 January 1974) and a public servant who was an External Affairs official involved with aid at that time.

2 Confirmed in an interview with Mr E.P. McClintock, Sydney, 6 May 1974.

original $62.5 million contribution was announced,¹ those arrangements being left for the departments concerned (External Affairs and Treasury) to work out.

In accordance with current international practice (e.g. UNRRA and the Marshall Plan) and with the London Report recommendation, External Affairs was inclined to advocate aid in grant form so as not to add to the debt burden of recipient countries.² However, there were those in External Affairs who felt that under some circumstances loans on soft terms (low interest rates and generous repayment periods) would be of greater benefit to recipients because that would encourage more efficient utilisation. But it was acknowledged that in general loans needed to be larger than grants if they were to make the same diplomatic impact. Some in External Affairs pressed hard for loans and an appropriately larger outlay even after Cabinet had decided on the allocation for the six-year programme. One suggestion put forward was that a revolving fund could be established from which new loans would be offered as repayments were made. While there was some scepticism even within External Affairs as to the viability of this proposal, Treasury rejected it outright, regarding it as something resembling a financial 'bottomless pit'. In spite of a considerable amount of External Affairs activity over this issue, Treasury remained adamant that the figure already announced should not be increased. Under those circumstances both Casey and his Department considered that, as the amount announced was so small in relation to assessed Colombo Plan country requirements, aid in grant form was the most effective way of enhancing Australia's position while avoiding the diplomatic and economic problems which could be associated with debt servicing.

² The discussion in this paragraph is based on interviews with two public servants who were External Affairs officials involved at that time, and one who is now a Treasury official involved with foreign aid.
Early differences between External Affairs and Treasury

Such differences between External Affairs and Treasury did not end with the establishment, during the early years of the Plan, of a regular pattern of aid-giving. Even though the six-year, $62.5 million, development assistance commitment had been made in accordance with standard budgetary practices there were annual consultations between External Affairs and Treasury over the estimates. Occasionally differences between these two departments were reflected in Cabinet considerations of the foreign aid estimates. Casey has recorded the difficulties which he had with the Colombo Plan appropriation in 1954. As he explained in his Diaries:

The fact that I did everything possible to help the Treasury last year by keeping our Colombo Plan requirements down to $3 million (actually spent only $2.8 million) is now working to my disadvantage.¹

Apparently earlier External Affairs assistance to Treasury was not being reciprocated. Casey also recorded that during Cabinet consideration of the Budget in 1958, whereas he had suggested a reduction of $500,000, Treasury proposed a cut of $1 million in the total Colombo Plan and International Relief appropriations. Casey received no support and the Treasury case succeeded.² Since it is not the practice for disputes between External Affairs and Treasury to be aired in public, such sporadic examples suggest the existence of more frequent conflicts between the two departments. Treasury's function, after all, was to resolve competition for resources and to account for all areas of Government expenditure. What is distinctive about foreign aid in the 1950s is that apparently Casey was rarely supported by other Ministers in Cabinet level disagreements between External Affairs and Treasury.

SEATO 'defence support' aid

At first sight the $4 million SEATO 'defence support' appropriation in the 1956/57 Budget under the Defence vote

² Ibid., p.295.
appears to have been a form of aid for which the Department of Defence was responsible. The circumstances leading up to the Government's acceptance of this commitment have already been traced above.\(^1\) It is only necessary to indicate at this point that in spite of the aid being described as 'defence support' and being associated with SEATO, not only did the initiative not come from Defence, but that department was displeased that the appropriation should be taken out of its vote simply on the grounds of a Treasury classification. SEATO 'defence support' assistance was devised and administered by External Affairs. The programme was attached to the SEATO political desk and for ten years remained organisationally separate from the Department's Economic and Technical Assistance Branch.\(^2\) Presumably this separation was to sustain a distinction between SEATO and Colombo Plan aid in accordance with Casey's earlier policy statements,\(^3\) because the equipment offered and the projects supported under both schemes were increasingly similar in kind.

**Donor 'commerce assistance'**

The Government had always insisted that the Colombo Plan could not be regarded as an instrument for trade promotion but, to encourage support, had indicated that incidental benefits could accrue to Australian producers. For the most part, External Affairs had succeeded in relegating trade considerations to a secondary position, but there were occasions when the aid programme was regarded by others more as commerce assistance for the donor than development assistance for the recipient. In the early years of the decade (for example) the International Harvester Company (IHC) was producing trucks to meet the small annual requirement of the army. In order to improve the economics of this operation, the Department of Commerce and Agriculture went to considerable lengths to stimulate orders and, as a result, IHC

\(^1\) See Chapter Three, pp.79-90, above.

\(^2\) Interviews with two public servants who were External Affairs officials involved.

\(^3\) See Chapter Three, pp.80-1, above.
trucks came to be included in the foreign aid programme.¹

Australian flour aid to Ceylon was another case in which commercial considerations intruded more than usual. In the 1957-58 season,² wheat production in Australia was drastically reduced because of severe droughts, but even so the total quantity of flour exported was below that which had been provisionally allocated out of the reduced wheat harvest.³ This was attributed by the Australian Wheat Board to restricted sales opportunities, particularly in Australia's largest traditional market, Ceylon, due to severe competition from heavily subsidised European flour. During that season, flour shipments to Ceylon amounted to 14,247 long tons, as compared with 126,661 long tons for the previous twelve months.⁴ As a direct result of the European competition, in September 1958 at a conference in Ceylon, the Australian Minister for Trade (J. McEwen) made an agreement with the Ceylonese that Australia would have access to the Ceylon flour market to the extent of 30,000 tons for the balance of the 1958 season, and 100,000 tons in each of the years 1959 and 1960, on a 'commercial basis'. And as the Wheat Board explained:

The term 'commercial basis' is interpreted to mean the exclusion of subsidised or dumped flour when Ceylon is considering our offers as against offers of flour from other countries.⁵

However Australia's emphasis on the commercial nature of the 1958 agreement must be viewed alongside its concurrent grants of flour under the Colombo Plan.

¹ Interviews with Mr E.P. McClintock, Sydney, 6 May 1974 and Sir John Crawford, Canberra, 14 January 1974.
² The wheat season runs from 1 December to 30 November.
³ 385,000 long tons of wheat had been provisionally allocated for flour manufacture and export but only 328,960 long tons were exported. - Australian Wheat Board, Annual Report, Season 1957-58, p.14.
⁴ Ibid.
⁵ Ibid.
Table 4

Australian Flour Shipments To Ceylon
Seasons 1956-57 to 1960-61
(THOUSAND LONG TONS)

<table>
<thead>
<tr>
<th>Season</th>
<th>Commercial Sales</th>
<th>Foreign Aid</th>
<th>Shipments</th>
</tr>
</thead>
<tbody>
<tr>
<td>1956-57</td>
<td>125.4</td>
<td>1.3</td>
<td>126.7</td>
</tr>
<tr>
<td>1957-58</td>
<td>11.9</td>
<td>2.4</td>
<td>14.2</td>
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<td>1958-59</td>
<td>116.9</td>
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<td>1959-60</td>
<td>112.6</td>
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</tr>
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<td>1960-61</td>
<td>119.1</td>
<td>-</td>
<td>119.1</td>
</tr>
</tbody>
</table>

Sources:


2. Foreign aid statistics supplied by the Department of Primary Industry from Australian Wheat Board records.

During the 1957-58 season when European competition was particularly strong, Australia provided Ceylon with 2,355 long tons of flour aid worth $200,000 'as a contribution to alleviating the losses that country suffered through floods'\(^1\) in 1957. That brought the total value of Australian flour aid to Ceylon since 1951 to $3.1 million.\(^2\) For the two seasons immediately following the commercial flour agreement, Australian flour aid jumped to approximately 10,000 long tons. When considered together with commercial sales, that aid, worth over $800,000, represented a price discount of approximately 8 per cent on each season's shipment. These discounts were valuable


\(^2\) Ibid.
in helping to make Australia's 'commercial' terms more competitive on the Ceylonese flour market. On such occasions, flour aid to Ceylon was of considerable importance to Australian flour millers. Throughout the 'fifties there were also other occasions when grants of flour helped to maintain Australia's commercial flour market in Ceylon during a period in which Australian flour exports overall were declining. However, for the most part, this 'commerce assistance', in response to flour millers' representations, occurred when there happened to be a coincidence of interest between the three departments, Trade, Primary Industry and External Affairs.

The World Food Programme

During the first decade of Australia's foreign aid programme, opportunities for the inclusion of commodities, other than wheat and flour, appear to have been relatively limited. Some evidence suggests that primary producers had attempted to exploit the aid programme, but the establishment of the World Food Programme considerably widened the scope for their direct participation.

Australia's involvement in the Food Programme stemmed from External Affairs' response to international moves to rationalise the provision of food aid. It was initially established on an experimental basis as an attempt 'to deal with the international problem of constantly growing food surpluses in some countries (principally in the United States) and severe malnutrition and hunger in many other countries'. With the United States taking the initiative, the United Nations

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2 Interview with Mr T.M. Fullerton, Melbourne, 24 December 1974.
3 See Chapter Nine below.
5 'Parliamentary Transcript on Aid', p.20.
General Assembly and the Food and Agricultural Organisation (FAO), in 1961, approved the establishment of a $US100 million multilateral fund which was to be made up of voluntary contributions of surplus commodities, services and cash. The Programme was designed to provide food aid for emergency relief, for supplementary nutritional programmes, and as assistance for pilot projects using food as an aid to economic and social development. The three-year Programme began operating on 1 January 1963 and the experiment subsequently proved to be of sufficient value for the fund target to be almost trebled\(^1\) and for the period of operation to be regularly extended.

Australia participated in the Programme from its inception and was a member of the inter-governmental committee of twenty countries which had been established to provide guidance on policy and procedures. The initial Australian contribution of $1,340,000 ($US1.5 million) constituted 1.5 per cent of the fund target and was made up of one-third cash and two-thirds commodities. Over the first three years of the programme, however, Australia's position hardened and although the second contribution was an increased $2,009,000 ($US2.25 million), that constituted only 0.82 per cent of the enlarged $US275 million target. Furthermore, the commodity proportion of the commitment was raised from 66.2/3 to 80 per cent. During the period 1963-1965 the Government had become more determined to increase the opportunities for its primary producers to dispose of their surpluses.

While the Department of External Affairs administered World Food Programme requests and the Department of Supply procured the required commodities,\(^2\) the Department of Primary Industry had the responsibility of preparing and continually updating the list of available products. That list was supplied to the FAO Secretariat in Rome as a guide for the drawing up of individual requests and food aid 'packages' under the Programme. Primary Industry compiled this list in consultation with the various commodity marketing boards and

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1 The target was raised to $US275 million for the extended programme covering the period 1966-68. - *Current Notes*, Vol. 37, No. 1 (January 1966), p. 35.

2 "Parliamentary Transcript on Aid", p. 23.
State authorities, incorporating or deleting particular items depending on their availability from time to time. Since the beginning of the Programme in 1963, the commodities supplied as a result of this advice and request process have included canned and dried fruit, canned beef, flour, butter oil, skim milk powder, canned cheese, dried egg, rice, sugar, rabbit and wheat. Apples were also included in the Australian list but up to 1972 no requests had been received for them.

While the Department of External Affairs did not regard this form of aid as of sufficient value to justify maintaining the original contribution rate, Primary Industry certainly saw in the World Food Programme an opportunity for additional outlets for primary produce, even within the limits set by External Affairs and Treasury. When appearing before a sub-committee of the Parliamentary Joint Committee on Foreign Affairs on the subject of Australia's foreign aid, an official from Primary Industry made clear the nature of some aspects of that Department's involvement in the food aid programme while discussing the marketing situation for two particular commodities:

We would dearly love to use dried egg in the food programme or in any kind of aid because of the - well, perhaps in this case we could use the word 'surpluses'.

... In the past we have been able to use only very small quantities of dried egg, in spite of the fact that it has been on the list. We do not hawk these commodities around and say to certain countries: 'Will you take this?' but we do make clear what commodities are available. Without pressure you can make it clear a number of times that you have something, and this is another way of getting the same thing across. I think we have been very, very active in this field and we

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1 For a comprehensive list of all possible organisations see for example Department of Primary Industry, Australian Primary Industry Organisations (Canberra, 1972).
2 'Parliamentary Transcript on Aid', pp.91, 1000B.
3 Ibid., pp.105-6; CPD, Vol. S39, 5 November 1968, p.1633; Department of External Affairs, Annual Report 1967, p.38. The wheat was channelled through the World Food Programme only from 1969 and was part of Australia's commitment under the Food Aid Convention of the International Grains Arrangement. - Ibid., and 'Parliamentary Transcript on Aid', p.23.
4 Ibid., p.106.
have done our best to move commodities other than wheat and rice which is in demand in these programmes.\textsuperscript{1}

Primary Industry's attempts to diversify commodity markets again were emphasised when dried vine fruit was mentioned in the course of evidence before the sub-committee. The departmental representative indicated that the World Food Programme does enable us to feed into this system products which we might not otherwise be able to use in food aid. It is very difficult to use dried vine fruit as a straight food aid product, but it can be incorporated into a package job, in connection with a major project in some particular area. This enables us to move dried vine fruits into a programme. We have done this in the past, and although the amounts are not tremendous the dried vine fruit which has moved into the world food programme under our quota has been of considerable assistance to the dried vine fruit industry in disposing of its product.\textsuperscript{2}

This is not to suggest that Australia's participation in the World Food Programme was entirely or even largely related to primary produce marketing considerations. Rather it was an indication of the nature of one of a series of complex factors which contributed to the determination of Australia's policy of food aid commitments during the 'sixties. These included the diplomatic advantages (bilateral and international); the availability of funds; the relation of food surpluses to fluctuating overseas demand; the existence of massive malnutrition and hunger and the current belief in the short-term and long-term value of food aid to solve that problem, as well as the ever-present need for increased trading opportunities.

\textsuperscript{1} Ibid., p.1006B.

\textsuperscript{2} Ibid., p.1005B.
## Table 5
Australian Aid under the World Food Programme
At current prices
($'000)

<table>
<thead>
<tr>
<th>Year ended 30 June</th>
<th>Pledges</th>
<th>Expenditure</th>
<th>Pledge period sub-totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>1963</td>
<td>1,340 (3 year)</td>
<td>404</td>
<td></td>
</tr>
<tr>
<td>1964</td>
<td></td>
<td>162</td>
<td></td>
</tr>
<tr>
<td>1965</td>
<td></td>
<td>460</td>
<td>1,026</td>
</tr>
<tr>
<td>1966</td>
<td>2,009 (3 year)</td>
<td>161</td>
<td></td>
</tr>
<tr>
<td>1967</td>
<td></td>
<td>492</td>
<td></td>
</tr>
<tr>
<td>1968</td>
<td></td>
<td>698</td>
<td>1,351</td>
</tr>
<tr>
<td>1969</td>
<td>1,473 (2 year)</td>
<td>692</td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td></td>
<td>1,000</td>
<td>1,692</td>
</tr>
<tr>
<td>1971</td>
<td>1,473 (2 year)</td>
<td>963</td>
<td></td>
</tr>
<tr>
<td>1972</td>
<td></td>
<td>843</td>
<td>1,806</td>
</tr>
</tbody>
</table>


Although the pledges which Australia made were considerably underspent in the earlier years (see Table 5 above) expenditure under the World Food Programme increased from an average of $396,000 over the years 1962/63 to 1967/68, to an average of $875,000 over the period 1968/69 to 1971/72. In spite of the potential advantages for primary producers of a formalised commodity aid scheme, Australia for some years was unable to supply food which was in demand. In later years the amount provided increased but World Food Programme aid still constituted a relatively small proportion
of Australia's total commodity aid\(^1\) (including wheat, flour and rice under other programmes) and a very small proportion of Australia's total external bilateral aid commitment.\(^2\)

**Laotian Foreign Exchange Operations Fund**

Australia's contribution to the Foreign Exchange Operations Fund (FEOF) for Laos, which began operating on 1 January 1964, involved a small proportion of its bilateral aid but for Australia this scheme was particularly subject to strategic, diplomatic and, on a different level, financial considerations.

A discussion of FEOF in this chapter may seem misplaced because, for the most part, general foreign policy rather than inter-departmental issues were at stake. It is included here, however, because FEOF received minimal attention in ministerial statements and therefore was not part of the public Australian aid donor image which the Government created. Instead FEOF provides an example of the way in which the Government, through the Department of External Affairs, implemented some of the more politically sensitive elements of the aid programme, largely out of the public limelight.

During the eighteen months preceding the establishment of FEOF in December 1963, Australia, together with the United States and Britain, had developed a considerable stake in the future viability of a non-communist Laos. From 1959 the struggle between the three political factions had broken out into open warfare with the United States supporting right-wing elements and the Communist bloc backing the Pathet Lao. By May 1962, the fighting in Laos had reached critical proportions with serious implications for Thailand, Viet Nam and the viability of SEATO.\(^3\) Wishing to stress the importance,

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\(^1\) Total commodity aid was approximately $13 million annually, in the period 1968/69 to 1971/72, including the Food Aid Convention cereals commitment of approximately $12 million annually - see Appendix 1, Tables 1 and 2, below.

\(^2\) Total external bilateral aid increased from $37.5 million in 1968/69 to $51.4 million in 1971/72 - see Appendix 1, Table 1, below.

in its view, of SEATO as a counter to communist pressures, on 7 May the Australian Government announced a further $6 million 'defence support' commitment for the Asian members of SEATO and the Republic of Viet Nam. During that month, the crisis had developed to such an extent that the United States announced a commitment, under SEATO, of armed forces to North-east Thailand to assuage Thai fears of communist invasion and to upgrade the Western response to the Laotian situation. Within a short time, Australia, Britain and New Zealand had also contributed token forces to Thailand in accordance with SEATO treaty obligations. In June, agreement was reached between the contending Laotian factions over the establishment of a coalition government, and towards the end of July that agreement acquired international recognition at Geneva. The non-Asian SEATO members, excepting France, had acted militarily together to deter the establishment of a communist government in Laos, but following the achievement of that objective, the United States, Britain and Australia were then called on to provide economic support to ensure the continued existence of the coalition government.

In the first instance, Laos entered into commodity aid agreements with each of the three countries whereby they would provide goods and machinery for which the Laotians would pay in local currency (kip). The counterpart funds so generated were to be used for purposes decided between the Laotian and the donor governments. The Americans committed $14,560,000, the Australians, $900,000 over three years (under what was called the Australian Import Programme), and the British $7,000,000, the latter being commodity aid and Colombo Plan aid combined, for a three-year period.

1 Current Notes, Vol.33, No.5 (May 1962), p.37. Earlier commitments of $4 million and $2 million had been made in 1956 and 1958 respectively. See also Chapter Three, p.95, above.

2 See Chapter Three, p.92, above.

By June 1963, however, the Laotian Government found it necessary to appeal for more economic aid. It claimed that commodity aid was not supplying sufficient foreign exchange for government purposes, that its budget deficit was still large due to unavoidable military commitments and that the local currency was continuing to lose value. As a result, the United States, Britain, Australia and France agreed to contribute to the Foreign Exchange Operations Fund (FEOF) which was established in December 1963 as part of an economic stabilisation plan drawn up for Laos by the International Monetary Fund (IMF). FEOF was essentially a budget support programme which in some respects was similar to the commodity aid agreements negotiated earlier. Aid in the form of foreign exchange was sold through commercial banks to Laotian importers, for the local currency, kip. Under this programme, however, the foreign exchange so acquired was not tied to donor country purchases. In addition a major proportion of the counterpart funds generated was not to be used for the local financing of developmental projects but was to be taken from circulation and 'frozen', thereby absorbing excess purchasing power in the Laotian economy, and limiting inflation.

Australia's first annual commitment to the fund was $364,000, just over 5 per cent of the total $7,098,000 contributed by the four countries participating.

Australian participation in FEOF was based largely on a number of related political considerations. First, Australia was continuing to provide direct, although relatively limited, support for a government in Laos that was predominantly non-communist. Previously, economic support had been provided by means of the import assistance programme.

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2 Department of Foreign Affairs, 'Australian aid to Laos'.
4 Department of External Affairs, Australia's aid to Developing Countries (1964), p.25. That the first commitment was annual was partly implied in the source cited and in addition was inferred from 'Parliamentary Transcript on Aid', p.10, in which annual negotiations were mentioned.
introduced in 1962/63. Military support had been provided indirectly through Australia's SEATO military commitment in Thailand in 1962. And diplomatic support had been given by means of an official visit to Laos, by Barwick, in December 1962 and by the elevation of the Australian mission in Vientiane from legation to embassy level, in January 1963. Australian participation in FEOF, therefore, was a natural extension of a general policy of some years standing, of supporting non-communist or neutralist elements in Laos. As it was put later by a Treasury official, FEOF was necessary to enable the country to maintain a degree of domestic price stability which would have political implications to the existing government.

Somewhat more explicitly, William P. Bundy, Assistant Secretary of State for Far Eastern Affairs, in 1964, outlined the American Government's view on FEOF:

> Our assistance has contributed to the effectiveness of a multilateral stabilization program which already has shown success in bringing spiraling inflation under control. We have given up open-ended cash grants. Our present commodity import program and our contribution to the Foreign Exchange Operations Fund are, we believe, just about the minimum required to prevent runaway inflation which, we fear, would bring down the government of Souvanna Phouma.

In joining FEOF, Australia was tacitly supporting the position adopted by the Fund's major contributor.

Second, in contributing to FEOF, the Australian Government was demonstrating to the United States its willingness to participate in measures designed to bolster non-communist regimes in South-east Asia. In so doing, Australia was also encouraging a continuing United States commitment in

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2 'Parliamentary Transcript on Aid', p.803.
the region - a fundamental objective of Australian foreign policy.¹

Third, Australian involvement in FEOF also assisted the United States Government case before Congress for appropriations for the Fund. During the 1964 Congressional Hearings, the Department of State spokesman made a point of mentioning, and Congressmen specifically questioned, the extent of British, French and Australian involvement.²

The circumstances surrounding Australia's aid commitment under FEOF were by no means typical of other aid programmes or even of other budget support programmes. However, FEOF illustrates considerations leading to an Australian aid commitment which in other programmes were not explicitly expressed because they constituted the general foreign policy background against which aid policy decisions were made.

Although the foreign policy considerations behind Australia's commitment to FEOF were clear, the Government decision was not straightforward because of Treasury's opposition to programme aid as opposed to project aid. At least under the Australian Import Programme, Australian goods and machinery were being supplied, although Australia had no formal means of verifying the use to which these commodities were being put. Under FEOF, however, the allocations of Australian foreign exchange were not tied to purchases from Australia. The success of this budget support scheme did not depend on the type or source of goods imported but rather on the quantity of local currency removed from circulation.³ FEOF therefore required untied


³ 'Parliamentary Transcript on Aid', pp.803-4; Interview with a Foreign Affairs official involved.
grants of Australian foreign exchange, and furthermore, only limited opportunities were available for Australia to account directly for their expenditure.\(^1\) That was not the sort of arrangement which Treasury encouraged\(^2\) but Treasury objections were over-ridden when the proposal came before Cabinet.

Australia's involvement in FEOF also had longer term implications for the way in which aid policy was handled in External Affairs. The function of the Economic and Technical Assistance Branch essentially was to administer projects (including the supply of food and equipment), co-ordinate student training, and arrange the sending of technical experts; it was not equipped to explore the ramifications of a programme aid scheme such as FEOF. For that reason, when the embassy in Vientiane suggested that the Department should consider Australia's involvement in the scheme, the proposal was examined in the section dealing with international economic relations rather than the aid branch.\(^3\)

It was situations such as this which led to the realisation, over the following two or three years, that foreign aid concepts were becoming more complex, and that new approaches to foreign aid policy were required within External Affairs.

Up to the early 'sixties, foreign aid had been regarded within the public service mostly as a relatively straightforward exercise in providing technical assistance, food aid and capital equipment where needed, on a gradually increasing scale, either through international aid organisations or usually directly to countries in the South and South-east Asian area. The objectives of foreign aid policy, as laid down at the inception of the major programme component, the Colombo Plan, had not been subjected to a thoroughgoing

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\(^1\) Australia, however, did have access to regular American and IMF evaluations of the operations of the Fund - 'Parliamentary Transcript on Aid', pp.805-6.

\(^2\) A hint of Treasury disapproval emerged in the 1972 Aid Hearings ('Parliamentary Transcript on Aid', p.806) - and this was confirmed in an interview with a senior Treasury official involved with foreign aid.

\(^3\) From interviews with two Foreign Affairs officials involved with foreign aid.
review of any description during those first fourteen years. Once appropriate methods of implementation had been devised within the public service, the foreign aid programme had developed a momentum of its own and had become an accepted and continuing aspect of Australian foreign relations. By 1964, however, the growing complexity of aid issues was recognised, the political situation in South-east Asia had become much more unstable, and a new and active Minister had taken over the External Affairs portfolio. Review, if not change, was in the air.
CHAPTER SEVEN

THE BUREAUCRACY: 1965-1972

The 1965 Inter-departmental Review

Many factors led to the inter-departmental review of Australian external aid between September 1964 and March 1965. Hasluck set this review in motion within a few months of having taken office as Minister for External Affairs, in order that all Ministers should be informed on 'the nature, extent and estimated effectiveness' of Australian aid.¹ He wished to question all the assumptions underlying the aid programme,² not so much as a result of a strong personal philosophy concerning aid and development but rather as a consequence of his meticulous ministerial style according to which all spheres of departmental activity required rigorous justification and efficient administration.³ This is not to say that Hasluck was unaware of, or unsympathetic to, changes that were taking place at that time within aid thinking. On returning from his first visit to South-east Asia as Minister for External Affairs he indicated that the government would be looking in the future 'for new avenues and means' of providing development assistance.⁴ Later, during the London Colombo Plan Consultative Committee meeting in November 1964, Hasluck elaborated on 'the new era of development' which he felt was approaching. He questioned whether 'the bilateral and informal nature of the Colombo Plan arrangements' was going to be adequate to handle the major developmental issues, 'of capital investment, economic planning and access to markets'.⁵

This questioning of current aid practices had been taking place within the Department before Hasluck became the Minister

² Interview with an External Affairs official involved.
³ From interviews with three public servants who had been External Affairs officials in close contact with Hasluck at various times during the period since World War II.
⁴ Current Notes, Vol. 35, No.7 (July 1964), p.44.
responsible. Australia had already become involved in new forms of aid as in the Foreign Exchange Operations Fund for Laos. Representatives of the Department were being confronted with broader development issues arising out of the first United Nations Development Decade, and at the United Nations Conference on Trade and Development (UNCTAD) in March 1964 Australia had been further exposed to international formulations of the growing aid and trade needs of the developing countries. Both the quantity and quality of aid were receiving closer international scrutiny.¹ For some time, however, foreign aid in Australia had been accorded very low priority² with the responsibility for aid policy within External Affairs being divided between the Manila Treaty (SEATO) Branch, the United Nations Branch, the Economic and Technical Assistance Branch and the Economic Relations Branch,³ each being situated in a separate Division of the Department.⁴

In addition, there could have been sufficient inter-departmental tensions over aid, for External Affairs to see value in having clearer policy lines laid down by means of a major review. During the early 'sixties the Department had been involved in a major drawn-out interchange with Treasury over the principle of specific aid commitments extending beyond one financial year. Even though aid appropriations were still to be determined on an annual basis, as was normal budgetary practice, Treasury was still reluctant to recognise, by means of a forward commitment of funds for major projects,

² Interview with a public servant who was an External Affairs official involved.
³ K.W. Taylor, 'Towards a New Foreign Aid Policy', *Australian Outlook*, Vol.19, No.2 (August 1965) p.144. The Manila Treaty Branch administered SEATO economic and defence support aid, as it had been called since 1962, even though the appropriation came out of the Defence vote. See Chapter Six, pp.198-9, above.
⁴ For the organisation of the Department of External Affairs around 1965, see *Current Notes*, Vol.36, No.5 (May 1965), pp.239-246. For the senior staffing of those sections which directly administered economic and technical assistance, see Appendix 9 below.
the existence of any permanent or continuing aid obligations.\textsuperscript{1}
At the same time, the Department of Trade began to take a
more active interest in the aid programme through its
participation in an inter-departmental consultative committee
to facilitate the implementation of aid projects, which
External Affairs ran and which also included Treasury, Prime
Minister's Department, and from time to time, Primary Industry.\textsuperscript{2}
During these early years of the decade, Trade was beginning
to look more seriously at Australian export opportunities for
manufactured goods in South-east Asia\textsuperscript{3} - the focal region for
Australian foreign aid. As no inter-departmental frame of
reference on aid policy existed in 1964, External Affairs
could well have felt that its control of the aid programme,
as a foreign policy instrument, was showing signs of being
undermined.

Among other things, the desire of the Department of
External Affairs to protect its primary role in aid policy
formulation may have been important in the choice of
departments which made up the 1964/65 Inter-departmental
Committee of review. Responsible to the Minister for
External Affairs, it was chaired by the Secretary of his
department and included only representatives from Treasury and
the Department of the Prime Minister. The inclusion of the
latter is difficult to understand. Despite its being
responsible for the Commonwealth Office of Education, which
supervised a large number of the sponsored overseas students,
Prime Minister's was a department with no foreign aid expertise,\textsuperscript{4}
and therefore perhaps was included to help tip the scale in
favour of External Affairs positions.

\textsuperscript{1} Interviews with two public servants who were External Affairs
officials involved. This problem arose over such major
projects as road construction in Thailand, which began in
1961.

\textsuperscript{2} Interview with a public servant who was an External Affairs
official involved with the aid programme.

\textsuperscript{3} Interview, Sir John Crawford, Canberra, 16 January 1974.

\textsuperscript{4} Interview with a public servant who was an External Affairs
official involved at that time.
From the point of view of aid policy, the Inter-departmental Committee, in its report, made manifest the primacy of Australian foreign policy objectives. The report indicated that the Committee had operated on the assumption that the Australian aid programme was primarily directed towards enhancing its political relations with countries within and outside the South and South-east Asian region, and to this end, diplomatic, defence, and strategic considerations were involved.

That the Report should have been so explicit concerning the political objectives of aid is not surprising considering the immediate foreign policy crises of the 1964-65 period. The conflict in Viet Nam, and Australia's aid commitment, were growing, and in October, Indonesia's confrontation with Malaysia had for the first time directly involved Australian troops in combat engagement. On 10 November, Menzies announced a new defence review which he indicated was the result of Australia's deteriorating strategic situation. Under these circumstances it is understandable that the foreign policy objectives of foreign aid were very much in the forefront of the thinking of public servants, as evidenced by the nature of the 1965 Report.

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1 The report of the review has never been published. A specific request for access made to the new Labor Foreign Minister in December 1972 was refused on the grounds that the report 'was a Cabinet document of the Menzies Government.' Evidence on the contents of the report, including the recommendations of the Inter-departmental Committee, has therefore been drawn from extensive interviews with public servants who had detailed knowledge of the document.

2 Interviews with two Foreign Affairs officials.

3 Interviews with two Foreign Affairs officials.

4 Interview with a Foreign Affairs official.

5 Australia had increased its military training and advisory commitment to Vietnam in June 1964 and at the same time it was announced that a former Australian Services Attache in Laos, Colonel W.J. Crosby, would lead an expert team to Saigon to investigate ways in which Australian non-military aid might be increased. - Current Notes, Vol.35, No.7 (July 1964), pp.49-51.


In the course of the review the case for Australian trading benefits from the aid programme was put and accepted in principle but some reservations were expressed.\(^1\) It was recognised that as an incidental benefit of the foreign aid programme, markets could be opened up and commercial exports could be encouraged. There was appended to the report a detailed list of aid projects which were regarded as having considerable commercial significance. However, when the report referred to specific proposals which had been put forward for possible aid projects utilising Australian industrial products, it adopted a cautious tone. It was suggested that care had to be exercised in selecting goods for promotion in this way, the implication being that Australian-initiated aid projects may sometimes be inappropriate for the needs of recipient countries and may therefore be regarded as simply export promotion. Such a primary connection between aid and trade has been assiduously and for the most part successfully opposed by External Affairs for the whole period of operation of the aid programme in spite of the favourable disposition of the Liberal-Country Party Coalition towards primary and secondary industry.\(^2\)

There was little discussion in the review Report of the impact of different types of foreign aid on economic development in recipient countries.\(^3\) Since political objectives were uppermost, the argument revolved around the type of aid programme which would return maximum diplomatic benefits in relation to those countries of greatest strategic importance to Australia. The emphasis on bilateral aid was maintained largely because of its potential for generating 'goodwill' - that being a rhetorical term intended to imply the facilitation of improved diplomatic and trade relations at all levels; the establishment of a greater range of personal contacts in

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\(^1\) The following paragraph was based on an interview with a Foreign Affairs official.

\(^2\) Interview with a Foreign Affairs official.

\(^3\) Interview with a Foreign Affairs official.
government, public service, armed services and industry through aid negotiations and returning students; the indication of a degree of independence from the United States and Britain; and the counteraction of a reputation for racial discrimination. The concentration of Australian bilateral external aid on Malaysia, Thailand, South Viet Nam, India, Pakistan and later Indonesia was not justified in terms of the particular developmental needs of those countries. It was acknowledged that they received the major share of Australian foreign aid because they were of greatest political and strategic importance to Australia. The review set out to examine Australian external aid but that aid was being regarded principally as the vehicle of the moment for the achievement of Australian foreign policy objectives. The effectiveness of foreign aid in promoting economic development for its own sake was not seriously questioned.

Economic development concepts only intruded in so far as it was recognised that for the achievement of the primary foreign policy objectives, in the light of an increasing international focus on development issues, Australia's growing aid programme would have to be better co-ordinated and more effectively administered. It was in this context that the Inter-departmental Committee recommended that there should be closer co-ordination of foreign aid procedures within External Affairs. However, it did not support the idea that Australian aid personnel in recipient countries should be increased, believing that a larger aid administration would be more inclined to 'interfere' in the domestic affairs of recipients, thereby reducing the level of goodwill between Australia and the country in question. In this particular

1 This elaboration of the term 'goodwill' was confirmed in interviews with two public servants who had been External Affairs officials involved with aid policy.
2 See Appendices 2 and 3 below.
3 Interviews with two Foreign Affairs officials.
4 This increasing focus on development issues was taking place, for example, at the United Nations in relation to the First Development Decade, in General Agreement on Tariff and Trade (GATT) discussions, and at the first United Nations Conference on Trade and Development (UNCTAD I).
5 Interview with a Foreign Affairs official. However, aid...
area of administration, the importance of diplomatic considerations was being clearly demonstrated.

The review Committee also advocated that there should be closer co-ordination between departments and suggested the establishment of a senior level consultative committee on aid policy which in the first instance could involve Defence, External Affairs, Prime Minister's, External Territories, Trade and Industry, and Treasury. The inter-departmental committee formed as a result of this recommendation was the first of its kind. Previous committees involving some of these departments had met from time to time, but only to facilitate the implementation of the programme. During the 'fifties, at least, it had been felt in External Affairs that there was no need to raise policy issues at a formal level between departments: External Affairs had laid down the general direction of aid policy at the outset and would handle changes as necessary. By 1965, however, Trade and Industry was becoming more persistent, Treasury was watching closely the expanding programme, and the activities of External Territories in Papua New Guinea were beginning to be regarded as related, in an ill defined way, to external aid. Even so, the proposed annual or biannual 'consultative' committee, chaired by External Affairs, was still to be under the control of that department and while the committee would be in a position to review levels and trends of aid expenditure, it was unlikely that it would be permitted by External Affairs to assume a primary role in relation to policy formulation. Rather, by means of the proposed committee, External Affairs may have been able to encourage other departments involved simply to concur with aid policy as laid down by External Affairs. In practice, personnel in Australian missions were increased following the review. See below, pp.238-240.

1 Interview with a Foreign Affairs official.
2 Interview with a Foreign Affairs official involved with aid policy.
3 Interview, Mr D. St.A. Dexter, Canberra, 1 February 1974.
4 Interview with a Foreign Affairs official.
this was how the standing Inter-departmental Committee on Aid did come to operate. It was a co-ordinating\(^1\) and not a policy formulating body but very occasionally it handled decisions which could not be resolved bilaterally between departments on an informal basis.\(^2\)

Again towards the objective of upgrading the administration of the aid programme, the 1965 review moved beyond External Affairs and the bureaucracy at large to the international arena. Since January 1960, the OECD's Development Assistance Committee (DAC) had constituted the principal forum for Western foreign aid donors. Members of the DAC\(^3\) had agreed to secure an expansion of the aggregate volume of resources made available to less-developed countries and to improve their effectiveness. To this end, Members periodically review together both the amount and the nature of their contributions to aid programmes, bilateral and multilateral, and consult each other on all other relevant aspects of their development assistance policies.\(^4\)

Believing that formal international co-ordination could benefit the Australian aid effort, and as Australia had already participated in a DAC ad hoc co-ordinating group on aid to Thailand, the 1965 inter-departmental review recommended full membership of the Development Assistance Committee,\(^5\) a situation which was brought about during the following twelve months.\(^6\)

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1 OECD, Australia's International Development Assistance, p.37.
2 Interviews with a Treasury and a Foreign Affairs official involved.
3 As of September 1965, members included Austria, Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, Sweden, the United Kingdom, the United States and the Commission of the European Economic Community. - OECD, Development Assistance Efforts and Policies: 1965 Review (Paris, 1965), p.4.
4 Ibid.
5 Interview with a Foreign Affairs official.
6 For a more detailed examination of Australia's joining of the Development Assistance Committee, and the consequences of membership, see below, pp.227-237.
These suggested administrative changes - involving increased departmental, inter-departmental and international co-ordination - were intended to improve the economic effectiveness of Australian foreign aid in order that foreign policy objectives could be pursued efficaciously. In that way, when policy regarding the implementation of the aid programme was being formulated, more attention came to be given to the process of economic development in recipient countries, but there were still policy areas, such as the geographical distribution of aid, in which diplomatic, and at times strategic, considerations were dominant.

The 1965 review was of greatest significance within the bureaucracy because it produced the first synthesis of foreign aid policy in fifteen years of aid-giving to less-developed countries, and established an inter-departmental reference which remained apposite up to the end of the decade.1 Furthermore, following the 1965 review, much greater attention was given to policy formulation and implementation within External Affairs.

Participation in the Asian Development Bank

Australian participation in the proposed Asian Development Bank (ADB) was not treated sympathetically by the 1965 review, but within a matter of months the consensus of opinion among departments had changed to one in favour of Australia's being a foundation member. This change of position was directly related to international responses to the Bank proposal.

The idea of establishing an Asian Development Bank was first incorporated in a programme agreed on at the Manila ECAFE session in March 1963. Although a working group of experts had prepared concrete recommendations for the necessary institutional arrangements,2 in March 1965, the Australian Treasury still regarded the proposal as only a theoretical possibility.3 Treasury considered that a regional bank would

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1 Interviews with two Foreign Affairs officials involved with aid policy.


3 Interview with a Foreign Affairs official.
only duplicate existing international institutions such as the IBRD and the IDA and for that reason would simply create additional wasteful administrative structures.\(^1\) In addition, being in competition with the IDA, Treasury believed the Development Bank would be unable to raise the proposed $US1000 million initial capital, in international finance markets.\(^2\) Moreover, Treasury also believed it would be essential for the viability of the proposed Bank that it attract funds from outside the Asian region. Without external fund there would be no net addition to the region's resources.\(^3\) The inference to be drawn from that argument is that without external finance, Japan, Australia and New Zealand would be the only developed country participants, thereby placing an unreasonable load on Australian resources.

These were the considerations which lay behind the position which Australia adopted at the March 1965 ECAFE conference in Wellington. Australia and New Zealand were the only two members to oppose the Asian Development Bank proposal,\(^4\) in spite of the conference stipulation, in line with Australian thinking, that 40 per cent of the required capital would have to be found outside the region.

In this context, external financing was synonymous with United States financial backing. Up to April 1965 the Americans were not enthusiastic about the need for an Asian development bank over and above existing commercial banks and international financial agencies.\(^5\) At the March ECAFE meeting,

\(^1\) Interview with a Treasury official.

\(^2\) Interview with a Foreign Affairs official.

\(^3\) The Government was still making this point in December 1965. See Hasluck's statement at the Conference of Plenipotentiaries on the Asian Development Bank, in Manila on 4 December - Current Notes, Vol.36, No.12 (December 1965), p.829.


\(^5\) Australian, 24 June 1965, p.8.
the United States delegate had only been able to indicate American moral support for the ADB proposal and had not been able to make a definite commitment.\footnote{Far Eastern Economic Review, 6 May 1965, p.285.} On 7 April, however, President Johnson proposed an American financed $US1000 million plan for economic and social development of South-east Asia.\footnote{A carrot for North Viet Nam? As Hasluck put it in a statement to the House on Australian foreign policy: 'The President hoped that North Vietnam would share in the benefits of such an expanded aid programme "as soon as peaceful co-operation is possible", and...that other industrialised countries, including the Union of Soviet Socialist Republics, would join the United States in providing aid on an expanded scale to the countries of South East Asia.' - CPD, Vol. H of R 47, 18 August 1965, p.193.} In the United States the ADB proposal came to be seen as a complementary scheme which could facilitate a positive Asian response to the American billion dollar plan.\footnote{Australian, 24 June 1965, p.8.} Early in May, Johnson reversed previous policy and announced formal support for the establishment of an Asian Development Bank, and by 10 July, he had indicated that, subject to Congressional approval, the United States would subscribe up to $US200 million of the needed capital. In addition, Johnson announced that America would contribute up to $US100 million towards a separate multilateral South-east Asian development fund to be administered by the ADB, if others were also prepared to contribute.\footnote{New York Times, 11 July 1965, p.1.} President Johnson named Eugene R. Black, former president of the International Bank for Reconstruction and Development, to guide American participation in these three programmes, and during June and July Black undertook visiting missions to Asian and European countries to muster the various kinds of support required for the different schemes. During that period, he also participated in ECAFE consultative meetings on the ADB proposal.\footnote{Ibid., pp.1-2.}
Following Australia's opposition at the March ECAFE meeting, the Government came under some pressure from within the region to participate in the proposed ADB, but the new American policy which emerged was much more significant from the Australian viewpoint. In response to a pre-conference invitation from the Australian Government,¹ U Nyun, the Executive Secretary of ECAFE, was in Canberra soon after the Wellington session and had discussions on the Bank with the Treasurer and the Ministers for Trade and External Affairs. U Nyun indicated to the press that he expected Australia to make a substantial contribution to the funds of the Bank because of its relatively high standard of living and its 'previous good record of assistance to Asian development schemes.'² Such appeals fell on deaf ears in Treasury. The Treasury position only changed when American backing was announced.³ Treasury now knew that the Bank proposal was viable; essential external sources of finance were now assured. In addition, Treasury came to realise that an Asian Development Bank could serve special regional interests and could facilitate opportunities for supplementary loan raising, especially in relation to the future needs of the Territory of Papua and New Guinea.⁴ From both a diplomatic and an economic point of view, Australia now could not afford to remain outside such a regional organisation.

Towards the end of July, following the visit to Australia of representatives of an ECAFE consultative committee for talks on the ADB proposal, the Treasurer, Harold Holt, indicated that discussions 'had been purely exploratory but the Australian representatives had been instructed to adopt a sympathetic and positive attitude.'⁵ Though cautious, that

¹ Australian, 10 March 1965, p.4.
² Canberra Times, 8 April 1965.
³ Millar, Australia's Foreign Policy, p.110. Confirmed by interviews with two Foreign Affairs officials and one from the Treasury.
⁵ Current Notes, Vol.36, No.7 (July 1965), p.430.
public statement conveyed the impression that Australian backing was assured but that details of Australian involvement still had to be resolved. By 18 August the Government had decided to participate in the final stage of planning for the establishment of the Bank, and, on 29 November, at the ECAFE Second Ministerial Conference on Asian Economic Co-operation, Australia announced its intention to subscribe $US85 million ($75.9 million).

Within the year, Australian policy on the ADB had undergone a complete reversal as a direct consequence of the Treasury attitude before and after the announcement of American support for the proposed Bank. Earlier, External Affairs had concurred in the strongly expressed Treasury position, perhaps in the knowledge that 'American support' and not 'regional co-operation in development' was the only argument which could influence Treasury when such a relatively large aid expenditure was involved. In addition, however, External Affairs was not known for its enthusiasm over multi-lateral, as opposed to bilateral, aid schemes; aid provided on a direct government-to-government basis was diplomatically more effective. But when Treasury policy changed, External Affairs gave its full support to the proposal. The change in the Treasury position, although directly linked with United States support, cannot simply be described as the result of Australia's being influenced by America's action. Treasury believed, correctly or incorrectly, that American support for the Bank would not only result in an American contribution to its initial capital, but, considering the position and influence wielded by the United States in international financial circles, was necessary to ensure access to world money markets in the future when the ADB would be competing for funds with other institutions, such as the International Development Association, which were heavily backed by the United States.¹

¹ Professor H.W. Arndt considered that the force of this argument was overstated. See Arndt, 'The Prospects for Japanese-Australian Trade', p.193.
Once Australia had joined the Asian Development Bank, Treasury, and not External Affairs, carried the primary, continuing responsibility for Australia's participation, as it did regarding the other international financial institutions, the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation. Treasury was responsible for these areas of Australian multilateral aid as a consequence of its having principal carriage of Australian international financial policy, which stemmed from Treasury involvement in the Bretton Woods International Monetary Conference in 1944.

Membership of the Development Assistance Committee

While negotiations were proceeding over the Asian Development Bank, the International Economic Relations Section in External Affairs was also involved with Australia's joining of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD). Australia had participated in a DAC ad hoc group on aid to Thailand and already had observer status on the Committee itself, but the 1965 aid review had recommended full membership to facilitate international co-ordination of all Australian aid programmes. However, the question of joining the DAC became subsidiary to a 1965 proposal that, for international economic reasons largely unconnected with foreign aid, Australia should gain membership of the parent body, the OECD.

The Department of External Affairs had first proposed in 1962 that Australia should join the OECD but at that time both Treasury and Trade were opposed and in Cabinet the proposal was rejected by Menzies and McEwen. By 1965, Treasury had come to see advantages in such an association and, together with External Affairs, pressed for Australian membership for a broad range of reasons involving international financial relations and trade issues as well as the benefits that would

1 Taylor, 'Towards a New Foreign Aid Policy', p.141.
2 Interview with a Foreign Affairs official.
3 Interview with a Treasury official.
accrue to Australia by belonging to the OECD's committee on development assistance. It was known that McEwen and his Department, fearing interference in Australian trade policy, were still opposed to OECD membership, and so membership of the Development Assistance Committee was put forward as a secondary alternative, that being regarded as a useful preliminary step towards the major OECD membership objective.\(^1\)

Although proposed as a secondary but, among departments, more widely accepted alternative, Australia's membership of DAC received its own separate justification. In February 1966, Hasluck explained:

> In joining the DAC Australia would aim at increasing the effectiveness of its own aid effort through co-ordination with the assistance programmes of the other members, who include all the major aid-donors of the free world. Australia hoped also by contributing the fruits of its own experience and its own thinking, to help strengthen the overall aid effort being made by DAC members.\(^2\)

It could be thought that the latter hope which Hasluck expressed somewhat overstated Australian development assistance expertise. K.W. Taylor, a United Nations official who had been involved with development issues,\(^3\) was critical of Australia's aid experience and thinking when he commented on its non-participation in the DAC (and on its delayed contribution to the United Nations Special Fund).

> It can be argued that previous lack of interest or participation in these more advanced programmes and policy-making organizations cost Australia considerably more than the small financial

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\(^1\) Interviews with two Foreign Affairs officials and one from Treasury.

In the case of Japan, a precedent had already been established for DAC membership to precede OECD membership. Although for entirely different reasons in Australia's case, External Affairs and Treasury were also using DAC membership as a first step.

\(^2\) Current Notes, Vol.37, No.2 (February 1966), p.81.

\(^3\) Taylor was formerly a member of the United Nations Department of Economic and Social Affairs, was in Australia as Director of the Committee for Economic Development of Australia (CEDA) and then resumed his official functions with the United Nations Special Fund in New York. - Taylor, 'Towards, a New Foreign Aid Policy', p.129.
contributions withheld. In any event, it did nothing to diminish Australia's relative isolation from the mainstream of international aid thinking, policy-making and programme co-ordination, whilst other smaller countries, like the Netherlands, Denmark and Canada played an increasingly vigorous and influential role.1

Nevertheless, reasons for Australian DAC membership similar to those used by Hasluck were incorporated in a later Current Notes article. Membership of DAC, it was explained, provided opportunities for:

(1) making Australia's aid efforts better known;
(2) bringing home to an important group of countries Australia's responsibilities in Papua and New Guinea;
(3) drawing European attention to the development prospects and needs of Asia;
(4) co-ordinating our aid programme with European and other aid donors;
(5) exchanging views on forms of aid.2

In addition, Australia acted on DAC membership in 1965 partly in response to the way in which the first United Nations Conference on Trade and Development (UNCTAD I), held in 1964, had taken shape. The 'Group of 77' 'for the first time turned the "have-nots" into an international pressure group',3 and the aid and trade policies of the developed countries came under attack. Although Australia's aid performance (as a percentage of national income) was relatively satisfactory4 and although it was already working on a new tariff preference scheme for developing countries,5 Australia still felt somewhat vulnerable considering how well organised

1 Ibid., pp.141-2.
   Although this article appeared in 1968, the quotation is taken out of a brief historical section, the context suggesting that its source could well have been 1965 files.
4 Australia had moved from equal seventh to fifth place between 1961 and 1964. - Department of External Affairs, Australia's External Aid (April 1966), p.3.
5 The introduction of this scheme was announced in Parliament by the Minister for Trade and Industry, J. McEwen, on 19 May 1965, while the Government supported Australian International Co-operation Year Convention was proceeding in Canberra. - CPD, Vol. H of R 46, 19 May 1965, p.1635.
and prepared were other members of the developed countries group (Group B).\textsuperscript{1} For these reasons it was felt within the public service that Australia's association with other aid donors in the DAC would be of assistance in meeting growing pressures from developing countries.\textsuperscript{2}

Taking all these factors together, it is evident that in joining the Development Assistance Committee, Australia was acting partly in the interests of developing countries, particularly those in Asia. At the same time, it was acting in the interest of its own international economic position, in the interest of its international standing in institutions concerned with development assistance, and with the intention of upgrading the administration of its aid programme in order that it should be of continuing diplomatic value.

Australia joined the Development Assistance Committee in February 1966\textsuperscript{3} at the invitation of the Council of the OECD, and over the next few years a number of consequences flowed from membership of the Committee.\textsuperscript{4} As these were mostly of a general nature and not associated with any specific point in time, it is appropriate to elaborate at this stage even though some temporal jumps are involved.

\textsuperscript{1} Interview with a Treasury official.

\textsuperscript{2} Interviews were contradictory on this question. A Treasury official conceded that this could have been a factor in the Australian membership application but neither of the two Foreign Affairs officials questioned felt that this was much of a consideration at all. If increasing developing country pressures was a background factor and not an explicit reason in submissions, then this discrepancy in personal recollections may be understandable.


\textsuperscript{4} One consequence not pursued further in this study is that of OECD membership. However it may be noted that, in spite of DAC membership, the Government apparently did not seriously explore the possibility of joining the parent body until 1970 (CPD, Vol. H of R 67, 21 May 1970, p.2501) and did not finally join the OECD until 1971, the year following the resignation of McEwen from his position as Minister for Trade and Industry. - Current Notes, Vol.42, No.5 (May 1971), p.289.
Aid performance and the Development Assistance Committee

Undoubtedly since being included in DAC aid statistics, Australia's aid efforts have become better known internationally. In the OECD's 1966 Review, Australia was included among those countries which had sustained increases in their official bilateral aid disbursements, and because of its longstanding policy of providing grants and not loans, was at the top of the DAC table so far as terms of aid were concerned. Australia's record, however, was not entirely favourable. Criticism was continually directed at the low level of Australia's multilateral contributions, but External Affairs was disinclined to alter the existing relationship between that and bilateral aid disbursements. As explained in the 1968 Annual Report of the Department:

Australia extends aid in both bilateral and multilateral forms, but the major share of its aid is provided through bilateral programmes. The Australian Government places considerable value on the development and maintenance of the direct contacts at all levels which come into being through bilateral aid. The Government directs nearly all of this bilateral aid to Asian and Pacific countries, because the economic progress and social well-being of neighbouring countries is of prime concern to Australia.

The 1968 Annual Report emphasised the value of 'direct contacts' which resulted from Australia's bilateral aid programmes; the Annual Report for 1966/67 had already indicated that economic development among its neighbours was of concern to Australia because of, inter alia, the strategic considerations

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2 Ibid., pp.104, 159.

3 Interview with a Treasury official.

involved. These political considerations, and the bilateral emphasis of the programme, had been present since its inception in 1950 and were still regarded as central. For that reason, DAC influence in attempting to increase the proportion of Australian aid being channelled through multilateral institutions was minimal.

In another major sphere of the total field of DAC interest - aid to Papua and New Guinea - Australia was criticised for the disproportionately large amounts it provided for its colony. The 60 to 70 per cent of Australia's total aid disbursements which was regularly channelled into the Territory was regarded by the DAC as too high in relation to that provided by Australia to other developing countries. However, since Australia was Papua New Guinea's only source of economic aid, and no other country was prepared to assist, this criticism was dismissed by Australia as of little consequence. Instead Australia communicated to other aid donors its view of the Territory's needs, and elicited recognition of its major responsibilities in relation to the colony. Even so, when comparing Australia's 'territorial

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1 The relevant paragraphs read as follows:

EXTERNAL AID POLICY
All external aid policies aim at helping developing countries towards economic and social conditions in which people may live in dignity and may contribute to a peaceful and richer existence for our own generation and for those to come. Poverty, ignorance, hunger and disease are the breeding ground of social turbulence and devastating wars. Such events and their consequences are not contained within the frontiers of one country. The turmoil they cause consumes energies and wealth that otherwise could be devoted to economic and social progress. Australia's intention in providing assistance is to help eliminate the conditions from which such turmoil might grow by providing the means which, in the long term, will promote the construction of sound foundations for continuing economic growth. - Annual Report 1 July 1966 - 30 June 1967, pp.40-1.

2 Interview with a Treasury official.

3 Interview with a Foreign Affairs official involved; OECD, Australia's International Development Assistance, p.13.
aid' with its external aid, the DAC still held to its earlier point but expressed it in terms of the 'external' component: Australia's contribution to Asia was regarded as 'relatively modest compared to the heavy development effort in Papua and New Guinea'.

Criticisms such as those discussed arose in the course of the DAC's annual, and later biennial, aid review of each member country's performance. Following the preparation of a report by a DAC official who spent time with the Department of External Affairs gathering relevant data and information, an Australian representative was then subjected to a critical oral examination by two other members of the Committee. The frank discussions which took place during this examination then led to the publication of both factual findings and policy recommendations for presentation to the full Committee for scrutiny at the annual DAC High Level Meeting.

Aid administration and the Development Assistance Committee.

The DAC review process made a considerable impact on Australian aid administration. In 1967, the aid programme began to be examined in detail against internationally accepted criteria. The reports arising from the 1967 and 1968 DAC reviews were not released publicly, but the first published OECD report on Australian foreign aid contained a number of criticisms which were regarded within External Affairs as being

1 Ibid., pp.13-14.
2 Annual reviews of Australian aid took place in the years 1967 to 1970.
3 Usually the First Assistant Secretary in charge of Division III which included the Aid Branch.
4 Current Notes, Vol.39, No.10 (October 1968), p.437. At its first review in 1967 Australia was represented by K.C.O. Shann, and Japan and Canada were the two examiners. Shann had been Australian Ambassador in Djakarta until 1 April, 1966 and from then until 1970 was First Assistant Secretary, Division III. He always took a keen interest in aid matters and attended a number of DAC meetings. This assessment of Shann emerged from an interview with a Treasury official.
5 Interview with a Foreign Affairs official.
6 OECD, Australia's International Development Assistance ([Paris], 1969).
quite pointed and relevant. At the same time the Department began to adopt a more rigorous approach towards its foreign aid statistical record. That occurred partly out of administrative necessity because the DAC required calendar year and not financial year records, and partly because the Department's views on what could be charged to the programme were considerably refined. For example, in preparing Australian aid statistics for inclusion in the OECD's 1966 Review, External Affairs officials would have become aware that the DAC excluded all 'military transactions' from the accepted definition of 'development assistance' – a distinction of relevance to Australia's SEATO 'economic and defence support' aid. Up to the 1966/67 financial year that aid was still being financed directly out of the Defence vote. As well as that, SEATO aid included a number of items which were either directly military in nature or were so closely related to the defence effort in Pakistan, the Philippines, Thailand and Viet Nam, as to make it difficult for DAC members to believe that

1 Interview with a Foreign Affairs official.
2 Interview with a Foreign Affairs official.
3 OECD, *Australia's International Development Assistance*, p.11.
4 The military training of a small number of Service personnel from Pakistan (1), the Philippines (5) and Thailand (5) during 1966/67 - Department of External Affairs, *Annual Report, 1 July 1966-30 June 1967*, pp.44-46.
5 During 1966/67 the following SEATO aid projects were undertaken, amongst others:
- **Pakistan.** The provision of $560,000 worth of equipment was undertaken for workshops used by the Pakistan Armed Services. Three autoclaves were supplied to the Karachi Naval Hospital.
- **Philippines.** Eight buses were provided for the use of the Philippines Army. Australia contributed $5000 towards the cost of a joint SEATO Civic Action roads project in central Luzon.
- **Thailand.** In December 1966, the second of two 50 kw transmitters was formally handed over to the Thai Government. 'These transmitters are being used in the northern part of Thailand and will help counter subversive propaganda broadcasts from outside Thailand.' Work continued on the joint Thai-Australian project to provide a Vehicle Rebuild Workshop for the Thai Army at Rangsit.
- **Viet Nam.** Vehicles and equipment were provided for use in the 'Chieu Hoi' programme for the rehabilitation of Viet Cong defectors. External aid funds were provided to finance the work of the Australian Military Task Force's Civic Action teams in Viet Nam. (The role of the Civic Action teams in Viet...
its 'main motive [was] the promotion of the economic development and welfare of recipient countries.'¹ In the 1967/68 Budget, partly as a result of DAC statistical requirements, SEATO aid was transferred to the External Affairs vote² and in the 1967/68 External Affairs Annual Report, except in the section on the Philippines, the connection between SEATO aid and military training assistance was avoided³ and SEATO civilian training was emphasised.⁴ It is therefore understandable that at the DAC review of Australian aid in October 1967, the Australian Representative, Shann, had been subjected to questioning as to the actual composition of Australia's 'SEATO economic and defence support aid' item and the relevance of that assistance to 'economic development' and 'welfare'.⁵ Even so, the External Affairs financed SEATO aid programme from 1967/68 onwards remained directed in part towards strengthening the defences of recipients⁶ and still contained

¹ Nam is examined in Chapter Eight at pp.277-9, below
² Ibid. See also Department of Foreign Affairs, 'Australian Aid to Thailand', pp.5-6.
³ See the aid definitions in OECD, Australia's International Development Assistance, p.11.
⁴ CPD, Vol. H of R 56, 15 August 1967, pp.32, 39, 70. As budget estimates are prepared within departments between April and June, it is most unlikely that data prepared for the OECD's 1966 Review, published in September 1966, could have been reflected in the 1966/67 Budget. Administratively it is quite probable that there would not have been time to handle the new OECD requirements and, as well, to have arranged for SEATO aid to have been included in the External Affairs estimates.
⁵ Compare the paragraphs on 'SEATO aid' in the 1966/67 Annual Report (p.52) and the 1967/68 Annual Report (p.69). In the light of these paragraphs, the Philippines exception may have been an oversight.
⁷ Interview with a Foreign Affairs official.
a number (albeit diminishing) of defence-oriented projects. It can therefore be seen that DAC scrutiny in this case resulted in an alteration in the presentation of the SEATO aid programme but the substance of the programme and one of its policy objectives - defence support - was little affected, except perhaps in the longer term as the number of such defence support projects diminished.

In preparing statistics for the DAC, External Affairs became aware not only that existing items would need to be more carefully scrutinized, but also that hitherto unaccounted items could be included to help boost the totals. In particular, Australia's annual contribution towards the operational expenses of the South Pacific Commission came to be included in the foreign aid statistics from the 1967/68 financial year onwards.¹

SEATO aid and South Pacific Commission contributions are only two isolated examples but statistical changes such as these were a reflection of the closer attention to detail and more efficient administration which was being exercised by the External Aid Branch partly as a result of increasing international scrutiny through the Development Assistance Committee.

**The volume of aid and the Development Assistance Committee**

DAC membership was also occasionally of consequence in that External Affairs was able to use DAC recommendations on the volume of aid, and the maintenance of Australia's standing within the aid donor club, to counter domestic pressures, predominantly emanating from Treasury, for reduced aid commitments when budgets were tight.² Such rear-guard action was not often necessary; in the main, External Affairs successfully pressed for a regular rate of increase in total aid disbursements in order that Australia should hold its favourable position in international comparisons.³

¹ See Chapter Four, p.109 above.
² Interview with a Foreign Affairs official.
³ Interview with a Treasury official.
Aid expertise and the Development Assistance Committee.

The aid expertise of personnel in the Department of External Affairs was significantly developed as a result of Australia's participation, from 1966, in the continuing sequence of DAC meetings.1 Through this process, officials were given regular tuition in aid theory,2 and during the late 'sixties 'a body of experience in development economics' began to be accumulated.3

Senior personnel and aid reorganisation in External Affairs.

The increased efficiency of Australian aid administration can be attributed in part to DAC membership but the major initiative in this sphere was taken within the Department of External Affairs by particular individuals who came to be associated with the aid programme during 1966 and later years.

When K.C.O. Shann returned to Canberra in April 1966 to take up the position of First Assistant Secretary in charge of Division III (which included the Economic and Technical Assistance Branch), a number of factors coincided, and made changes in aid administration more likely. Fresh from his experience as Ambassador in Indonesia where foreign aid had been of considerable importance in the delicate political situation of 'confrontation', Shann was keen to upgrade an area of the Department's operations which had hitherto been regarded as of low priority. In this attempt to re-vitalise and reorganise the Canberra administration of foreign aid, Shann had the backing of the 1965 review4 and also had the indirect support of a Minister who took seriously the detailed operation of his Department and demanded precision and efficiency. As well as that, Sir James Plimsoll, after twelve months as Secretary of External Affairs, was receptive

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1 The 1967/68 External Affairs Annual Report, (p.63) referred to Australian participation in the DAC review of Australian aid (October 1967), the DAC High Level Meeting (July 1967), 'as well as a large number of more specialised meetings throughout the year.'
2 Interview with a Foreign Affairs official.
4 See above p.219.
to new ideas on departmental reorganisation. Plimsoll, and Shann’s predecessor, D.O. Hay, had already acquired Public Service Board agreement to upgrade the head of the then Economic and Technical Assistance Branch to Assistant Secretary level. That officer was to be responsible for the formulation and the implementation of policy in respect of Australian external aid programmes administered by the Department of External Affairs.

This re-graded position was not to be filled from within the Department by an official from the diplomatic wing, as in the past, but was designed to attract from outside a person with ‘proven administrative and management ability at a senior level’, at a time when it was felt within the Department that aid required more effective management than could be provided by career diplomats. Apart from action taken to improve senior level management, it was felt that insufficient attention was being given to aid at the mission level. Therefore, in spite of objections to the expansion of aid staff overseas expressed in the 1965 review, the Department began, in 1966, to strengthen its administration at the more important aid posts. An aid administrator (now Class 5) had been situated in Djakarta since 1962; another (now Class 6) was established for the mission in Kuala Lumpur in 1966, and during

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1 Interview with a Foreign Affairs official who was involved.
3 Ibid.
4 Interviews with two public servants who were External Affairs officials involved.
5 Interview with a Foreign Affairs official.
6 See above pp.219-220.
following years the overseas aid establishment was gradually expanded.1

1 As at February 1975, the overseas aid establishment was as follows:

Table 6
Aid Administrators at Australian Missions
(showing position number, and date created)
February 1975

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<th>Current Classification</th>
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<th>7</th>
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Notes:
a There is a current proposal to change the classification of this position to 9.
b Only the classification of this position was provided.
c There is a current proposal to upgrade these two positions to Class 9 and Class 6.
d There is a reorganisation in process to change these three positions to classifications 9,6 and 6.

Source: Information supplied by the Department of Foreign Affairs, February 1975.
This important change had been set in motion before Shann returned; such action helped create favourable circumstances for further organisational modifications of the aid process.

Shann began by drawing under his control those branches which would be complementary. He had returned to head what was regarded in the Department as the 'rag-bag' division, which included economic and technical assistance as well as intelligence co-ordination, consular and protocol, information and cultural relations, and legal and treaties.1 Shann proposed, and Plimsoll accepted, that the external aid and economic relations branches should be associated in Division III,2 with intelligence co-ordination transferred to Division I and the other three branches to Division IV.3 Within the new Division III, the Economic Relations Branch retained its existing organisational structure but the old Economic and Technical Assistance Branch was subjected to a face-lift, and also expanded in an important direction. The External Aid Branch, as it became known, included the existing Procurement Directorate and Liaison Offices, together with the re-named Projects and International Training Sections, and in addition, Aid Policy and Executive Sections were created. The Policy Section, headed by a career diplomat, although involving only two or three officers initially, represented an important change from past aid practice in that the Aid Branch was being equipped to handle the more complex policy issues which were arising. The routine functions of the Policy Section included collecting and collating statistics, dealing with Parliamentary questions, handling matters arising out of Australia's membership of the DAC,4 and preparing the foreign aid estimates for the Budget. In general, the section examined possible aid initiatives, as well as aid requests

1 See 'The Organization and Functions of the Department of External Affairs' (including an organisation chart), Current Notes, Vol.36, No.5 (May 1965), pp.239-46.
2 Interview with a Foreign Affairs official involved.
3 'Organisation of Department of External Affairs' in Department of External Affairs, 1966/67 Annual Report, p.64.
which had been channelled from overseas missions via political
desks in other divisions, and maintained a watching brief
over the evolution of aid policy as a whole.\footnote{OECD, *Australia's International Development Assistance*, p.37.}

Organisational and personnel changes such as these were
intended to give rise to a more effective aid programme. The
new Assistant Secretary of the External Aid Branch was being
chosen on the basis of his management and administrative
abilities but the Director of the new Aid Policy Section was
to be drawn from the diplomatic wing of the Department, there­
by helping to ensure that aid policy would continue to be
formulated from a diplomatic point of view.

Shann's initiatives with respect to Central Office aid
administration, together with earlier moves involving the new
External Aid Branch Assistant Secretary position and full­
time aid staff at missions, laid the foundation for a service
which became somewhat more professionalised in relation to
economic development issues. As more resources were devoted
to the implementation of the aid programme,\footnote{The staff of the Projects Section, for example, was increased
from an establishment of nine to one of seventeen in December
See details of the aid organisation in *External Affairs in
Appendix 9* below.
The number of aid personnel overseas was also being gradually
expanded. See *Table 6*, p.239, above.}
it was possible
for diplomats and clerical staff to be moved backwards and
forwards between the Aid Branch and overseas aid posts.
Greater continuity was ensured, improved functionalisation
was facilitated and aid expertise began to accumulate to a
degree which had not occurred before. The Aid Branch began
to develop a momentum of its own in the direction of greater
efficiency.\footnote{Interview with a Foreign Affairs official involved.}

The organisational changes described were mostly set in
motion during 1965 and 1966 after which Shann turned his
attention to other aspects of aid policy and programme
implementation. He exhibited a strong interest in the
deliberations of the OECD Development Assistance Committee and
attended a number of its meetings.1 Partly as a result of his previous experience as Ambassador in Indonesia, he played a central role in the rapid expansion of Australian aid to that country between 1967 and 1970.2 Shann also participated actively in a number of meetings of the consultative Inter-Governmental Group on Indonesia (IGGI), between 1967 and 19693 and was instrumental in changing Australian policy on the timing and nature of Australian aid commitments to Indonesia.

In general terms, Shann took foreign aid seriously and, both within External Affairs and between departments, he forcefully and mostly successfully pursued what he regarded as being necessary changes in aid policy and practice. The increasingly efficient programme of economic development assistance which emerged was not regarded by Shann as an end in itself. In his view, efficient organisation and good management were essential if foreign aid was to have maximum effect on the improvement of Australia's diplomatic relations within the region.4

For most of the five years during which Shann was responsible for foreign aid,5 he was actively supported from below by L.W. Engledow, who commenced duty as Assistant Secretary of the External Aid Branch in September 1966. Engledow, formerly an officer with the National Capital Development Commission in Canberra, brought to the Aid Branch the administrative skills which the Department had sought. However, he was determined to have his say in the formulation of aid policy and was also determined to play an active part in having that policy accepted by other departments. Both he and Shann developed the idea of long-term planning for aid projects, believing that in that way development assistance

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1 Interview with a Treasury official.
2 This and other aspects of Australian aid to Indonesia are discussed fully below.
3 Interview with a Foreign Affairs official.
4 Interview with a Foreign Affairs official.
5 This term of office was longer than that held by any other Divisional Head in charge of the aid programme, between 1950 and 1972. Both before and after Shann, Divisional Heads were mostly moved within two years. - See Appendix 9 below.
would be more effective and consequently Australian interests would be better served, than had been the case when overseas missions initiated projects on an *ad hoc* basis.¹ In the inter-departmental arena, as another example of his involvement with aid policy, Engledow went to some lengths to add weight to the External Affairs case for aid to Indonesia in 1967. Treasury was opposed to the 'Bonus Export' (BE) aid proposed,² and so Engledow arranged for the leader of the Australian delegation at the IGGI meeting considering the BE aid scheme, to send back to Canberra strongly worded cables advocating Australian participation.³ In ways such as these Engledow was actively involved in the introduction of new aid policy initiatives.

While Shann and Engledow were key aid personnel within the Canberra office, over the same period of time, 1966 to 1969, the Australian Representative at the OECD's Development Assistance Committee in Paris was P.J. Flood, a career diplomat who had been connected with Australian foreign aid since 1964. Flood, who had been Personal Assistant to the Secretary of the Department, Sir Arthur Tange, was one of the three secretaries to the 1964/65 Inter-departmental Committee on Australian external aid,⁴ and being the only secretary who worked full time on the review, was largely responsible for writing the report which was presented to the Minister for External Affairs in March 1965. Flood was appointed Australia's first representative at the DAC early in 1966 and returned from Paris in August 1969 to take up the position of Director of the Aid Policy Section, one which he held until early 1971. Between 1966 and 1969 Flood also attended all of the meetings of the Inter-Governmental Group on Indonesia (IGGI) which for Australia was the most important of the consultative groups on development assistance for particular

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¹ Interview with a Foreign Affairs official involved.
² $5.2 million worth of programme aid in the form of 'Bonus Export' (BE) aid was involved. BE aid is discussed fully at pp.246-253.
³ Interview with a Foreign Affairs official involved.
⁴ Interview with a Foreign Affairs official involved. The other two secretaries were C. Conran from Treasury and R. Linford from Prime Ministers'.
countries. As a result, in the latter half of the decade, Flood provided an important link with two of the international aid organisations, DAC and IGGI, which Australia regarded as particularly significant. Furthermore, these two were the only important international aid bodies on which Australia was represented by External Affairs officials; Treasury officials represented Australia at the three other major aid institutions, the International Bank for Reconstruction and Development, the International Development Association and the Asian Development Bank. At that time Flood was probably the External Affairs official who, more than most, acquired a solid grounding in economic development theory and the role of foreign aid, through his lengthy association with the DAC. Flood had become more aware of the nature of the development process and the limitations of foreign aid, and McMahon's speech to the House in September 1970 reflected Flood's appreciation of the issues as well as the views of the Pearson

1 The DAC, the IBRD, the IDA and the ADB were all specifically referred to in McMahon's speech to the House on External Aid on 3 September 1970 (CPD, Vol. H of R 69, 3 September 1970, p.984). Included also among the multi­lateral institutions mentioned on that occasion was the International Monetary Fund (IMF) but the IMF was not so much an aid - providing institution as a body which was able to advise on the balance of payments situation within developing countries (amongst others). Further, IGGI was not mentioned at that point in McMahon's speech because it was not strictly a multilateral institution. Its importance, however, will become clear as various aspects of Australian aid to Indonesia are examined below.
Commission on International Development, which had just been published.¹

From 1966, the resources available in Canberra and overseas for policy formulation and implementation had been expanded and better rationalised and in this respect the contributions of Shann, Engledow and Flood were crucial. These three exhibited considerably more drive² and were much more policy-oriented than previous senior aid staff had been. Australia's aid programme became more professionalised, and aid policy continued to be formulated within limits set by Australia's diplomatic and strategic interests - the 'diplomat's view' of aid.³

¹ In his speech, McMahon had asked 'What are the objectives of aid?', and continued:

The answer to this question is I think pretty clear. Aid is intended to foster development. I do not believe that aid can 'buy' allies. Nor can we expect aid to guarantee stability. In assessing the contribution to development we recognise that aid is at best a supplement. We do not expect miracles. We cannot close the gap in living standards between the advanced and the less developed countries. Clearly therefore the goals we set must be reasonable and must be capable of being attained. The aid we give to assist development can supplement a country's limited capital resources, and the supply of its technical skills. But it is only one of the elements in the process of development. Nor is development necessarily a painless process. But if aid donors do not help, the consequences can well be the failure of the economic policies of governments in the less developed countries and such failure means continuing poverty. It may also lead to political adventurism. Aid can assist by providing material help. It can help train some of the men. Too often the process of development involves changes of the foundations on which the building stands - quite often it involves changes in the basic values of society.


Most of the phrases used in this section of the speech can be found in similar form in Pearson, Partners in Development, pp.3-11.

² Interview with a Foreign Affairs official involved.

³ Interview with a Foreign Affairs official involved. 'Diplomat's view' is Boxer's phrase. See Experts in Asia, p.171. See also pp.33-34.
Between 1967 and 1970, these political considerations were important for three significant changes in aid policy, all associated with Australia's programme of aid to Indonesia. They involved the introduction of the 'Bonus Export' (BE) aid scheme in 1967, the pre-budget announcements of escalating quantities of aid from 1968, and the three-year forward commitment of aid introduced in 1970.

'Bonus Export' (BE) aid to Indonesia.

The circumstances surrounding Australia's decision to participate in the BE aid scheme were directly related to Australia's diplomatic relations with Indonesia, at least since the early stages of Indonesia's 'confrontation' of Malaysia.\(^1\) During 'confrontation', the Australian Ambassador in Djakarta, had gone to considerable lengths, in accordance with Departmental and Ministerial policy (but in the face of some strongly voiced objections\(^2\)), to ensure that channels of communication between Australia and Indonesia were kept open. Australian capital aid and training assistance provided valuable points of contact at a time when relations on other levels were severely strained.\(^3\)

The attempted coup of October 1965 and the de facto accession to power of a more Western-oriented regime increased significantly the potential for improved relations between

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\(^1\) For insight into the broad range of issues involved in Australian-Indonesian relations at this time, see Viviani, 'Australian Attitudes and Policies Towards Indonesia 1950-1965', passim.

\(^2\) Sir Wilfrid Kent Hughes was prominent in his opposition - *Australian*, 6 February 1965, p.3.


Work was continued, albeit at an intentionally slow rate, on the Aeronautical Fixed Telecommunications Network (AFTN) project (which had begun in 1962) and on a road and bridges project on Flores Island, East Indonesia. At the same time, the Government was keen to maintain the flow of Indonesian students to Australia. (*Age*, 24 July 1965, p.5). The Indonesian Foreign Minister, Dr Subandrio had initially publicly renounced the Australian aid programme (*Age*, 23 November 1963, p.1, and 26 November 1963, p.1), but after considerable persuasion the Australian Ambassador occasionally had managed to gain his approval for more students to go to Australia, and the Department of External Affairs went so far as to charter planes to transport groups of students — Interview with a Foreign Affairs official involved. See also Viviani,'Australian Attitudes and Policies', pp.211-239, 244-5.
Australia and Indonesia even though 'confrontation' formally continued. Immediately following the downfall of Sukarno, and in spite of Treasury opposition to an increase in aid to Indonesia, an offer of rice and kerosene (regarded in the press as a goodwill gesture) was made. In March 1966, on the basis of a Cabinet decision, a specific offer of $200,000 worth of rice was made to help alleviate suffering caused by severe floods in central Java even though that rice, contrary to usual aid policy, had to be purchased overseas. Since October 1965, the Department of External Affairs had been looking for every opportunity to take advantage of the favourable position Australia had established partly through what might be termed its 'bridging aid' programme during 1964 and 1965. Throughout most of 1966, however, it was practically impossible to expand the aid programme in any significant way because of the chaotic state of Indonesian political and economic affairs.

Towards the end of 1966, greater scope appeared for cooperation between Australia and Indonesia. Hasluck visited Djakarta in August and while there, offered emergency aid in the form of essential raw materials and spare parts to the value of $500,000. This aid was to help restart various industries and basic services. At the end of January 1967, Hasluck again visited the Indonesian capital to open the newly-completed, larger Australian Embassy. On this occasion those accompanying the Minister included A. Paltridge, the Head of the Export Division of the Department of Trade and

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2 Australian, 12 October 1965; Mercury, 20 October 1965.
4 Interview with a Foreign Affairs official involved.
5 Interview with a Foreign Affairs official involved.

The final decision on the goods to be supplied was made by the Indonesian Government in December - Department of External Affairs, External Aid Bulletin, No.1(1 March 1967) (mimeo., Canberra), pp.1-2.
Industry, G.A. Hawley, the Commissioner of the Export Payments Insurance Corporation, G.C. McGrath, Chairman of the Export Development Council and L.W. Engledow, Head of the External Aid Branch of the Department of External Affairs. Following that visit, and just a week before the Inter-Governmental Group on Indonesia (IGGI) met to consider Indonesia's aid requirements for 1967, the Government decided to provide an additional $200,000 worth of pesticides and other needed goods, as the earlier $500,000 grant by then had been spent. Furthermore, during the months from late 1966 into 1967, other trade, parliamentary, academic and cultural contacts also began to develop. It was in this context that the Government began to examine its possible participation in the BE aid scheme which had been established by the Indonesian Government with the backing of the International Monetary Fund (IMF) in October 1966.

The BE aid scheme, or 'Devisa Kredit' (DK) aid scheme as it later came to be called, was an adjunct to the BE System which had been introduced in Indonesia in 1966 as one of two major components of the Government's new economic policy. The BE aid scheme was designed to provide international balance of payments support and direct budget support for the Indonesian Government. It was introduced at a time when there were few development projects ready to utilize foreign aid, but it was also designed to stimulate the import/export

1 Current Notes, Vol.38, No.2 (February 1967), pp.76, 78.
3 Under a simplified import system, BE aid became known as 'Devisa Kredit' (literally, 'exchange credit') aid in April 1970. - Department of Trade and Industry, A Background Paper on Australia/Indonesia Trade (mimeo., Canberra, July 1971), pp.10-11.
4 For the origins of the BE System, see H.W. Arndt, 'Summary of Recent Developments', Bulletin of Indonesian Economic Studies, No. 7 (June 1967), pp.18-23.
5 Department of Foreign Affairs, Australian Aid to Indonesia (mimeo., [Canberra], July 1972), p.2.
sector of the economy which was very depressed due to the inhibiting bureaucratic controls of the late Sukarno period.¹

Under the BE aid scheme, importers were permitted to buy, through an Indonesian bank, the right to use foreign aid which had been made available as foreign exchange credits, or 'credit BE' as it was called. The local currency proceeds from this sale (the counterpart funds) were credited to the Government's development budget. The importer was then able to purchase, from the donor country, goods categorised as 'most essential' (Group A) or 'essential' (Group B) for Indonesian development, as shown on the BE priority list which was prepared by the Indonesian Government in consultation with each donor government.² At the Australian end of the transaction, the exporter presented the Indonesian bank's letter of credit, together with a statutory declaration that, as with all aid, the 66.2/3 Australian content rule had been observed, to the Reserve Bank for payment.³

By July 1967 the Indonesian BE aid scheme had attracted commitments for 1967 from countries including the Federal Republic of Germany, Japan, the Netherlands, the United Kingdom and the United States of America, and these, together with unspent 1966 commitments, fully met Indonesia's additional foreign exchange requirements (as approved by IGGI) for 1967.⁴ The Australian commitment of $5.2 million, however, was not announced until the Treasurer's Budget Speech in August,⁵ and its lateness, particularly when the IGGI estimate of Indonesia's requirements for 1967 had already been fully provided, reflected somewhat on the Government's apparent eagerness to provide assistance to Indonesia.

² Department of Foreign Affairs, Australian Aid to Indonesia (July 1972), p.2; H.W. Arndt 'Australian Economic Aid to Indonesia', Australian Outlook, Vol.24, No.2 (August 1970), p.130. For a later example of the commodities and equipment included see Department of Trade and Industry, Aid to Indonesia. Devisa Kredit (DK) List. Groups A and B (Canberra, April 1971).
³ 'Parliamentary Transcript on Aid', p.212.
The Australian delay in joining the scheme can be attributed in part to Treasury policy that expenditures should not be announced before the Budget is brought down, but even so the decision to participate was not made until very late, in terms of normal estimates programming. The Departments of External Affairs and Trade and Industry, at least, had been aware of the BE aid scheme since its inception in October 1966, but not until seven months later was a special mission sent to Indonesia to investigate the scheme. That special survey mission included officers of the Departments of External Affairs and Trade and Industry, the Treasury and the Reserve Bank, but agreement between departments on Australian participation did not result. For reasons already discussed, External Affairs was keen to expand the aid programme to Indonesia. It was satisfied that BE aid would be of general use in restoring the Indonesian economy and, in particular, would assist the rehabilitation of the import/export sector. External Affairs was not concerned that this aid was not to assist specific development projects. Aid in the form of commodities or manufactured goods had already been provided through food aid programmes since the inception of the Colombo Plan, through the import programme for Laos (established in 1962), and by means of the emergency aid programme for Indonesia from August 1966 and into 1967. Furthermore, External Affairs was satisfied about the economic value of this form of programme aid — balance of payments and budget support — because it had been recommended by the IMF as the most appropriate in the current Indonesian circumstances.

1 Both Departments were represented in Djakarta, and an External Affairs officer had also attended the 1966 and early 1967 meetings of the Inter-Governmental Group on Indonesia (as it was known from early 1967)— Interviews with a Trade and Industry official and one from Foreign Affairs.

2 'Parliamentary Transcript on Aid' p.213.

3 Interview with a Foreign Affairs official involved.

4 See Chapter Six, p.208, above.

5 Department of Foreign Affairs, *Australian Aid to Indonesia* (July 1972), p.2; Interview with a Foreign Affairs official involved.
represented on the May 1967 special survey mission, immediately saw the export promotion potential in the BE aid scheme and so needed no encouragement to add its support.\(^1\) The only stipulation Trade and Industry added to the Indonesian scheme was that as wide a spread of Australian goods as possible should be involved.\(^2\) This stipulation was directed at the creation of a wide market for Australian industry in Indonesia and later led to the removal, on Australia's initiative, of one of the major items on the BE list.\(^3\)

The Treasury, however, in spite of its first hand examination of the BE aid scheme, was determined in its opposition to Australian participation in a scheme which was programme-oriented and not project-oriented.\(^4\) Treasury opposition to programme aid was not new; it had been specifically expressed in relation to Australian participation in the Foreign Exchange Operations Fund (FEOF) for Laos,\(^5\) for example.

However, comparing Treasury's opposition to FEOF with its opposition to Bonus Export programme aid, additional factors are seen to have been involved. Although to a lesser extent than in FEOF, because only Australian goods were to be supplied under BE aid, Treasury was still concerned about the limited degree of accountability possible when imported Australian goods virtually disappeared from official sight in Indonesia. At least development projects could be supervised. Second, Treasury questioned why Australia should provide foreign exchange grants to ease the adverse balance of payments position of a developing country when that position had been worsened by the debt burden associated with other donors' aid loans. Third, it was Treasury's view that programme assistance or balance of payments support should be the

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1 Interview with a Foreign Affairs official involved.
2 'Parliamentary Transcript on Aid', p.531.
3 During 1971, 'Completely Knocked Down'(CKD) passenger vehicles were removed from the Australian BE (or by then, DK) list because they absorbed too large a proportion of DK aid, and the export market in Indonesia for CKD passenger vehicles had become firmly established. - Ibid.
4 Interviews with an official from the Treasury, and three from Foreign Affairs.
5 See Chapter Six, pp.211-2, above.
responsibility of the IMF. Only that body had the resources to properly assess the balance of payments problems of a country; Australia certainly did not have such resources. That the IMF recommended the BE aid scheme apparently did not change Treasury's view, suggesting that 'responsibility' and not 'assessment' was the major point at issue. Fourth, Treasury was traditionally opposed to programme aid because it was too easy for a recipient to say that it needed additional financial resources: all governments always need more money! And fifth, Treasury believed that programme aid was inclined to involve the donor in the internal monetary policy of the recipient.\footnote{Interview with a Treasury official. In relation to the last two points, the interviewee specifically referred to Australia's experience with Papua New Guinea. Undoubtedly that was in the forefront of his thinking as programme versus project aid for independent Papua New Guinea was a contentious issue at the time of the interview.} By May 1967, however, these last two points were of minor importance because the Inter-Governmental Group on Indonesia (IGGI), following an assessment of the IMF, had already begun to stipulate Indonesia's annual aid requirements on the basis of the Indonesian Government's monetary policy,\footnote{See the IGGI communique issued at the conclusion of its February 1967 meeting in Amsterdam – \textit{Current Notes}, Vol.38, No.2 (February 1967), p.78.} thereby absolving any individual donor of that responsibility. Nevertheless the first three points – inadequate accountability, aid only necessitated by other donors' harder aid terms, and IMF responsibility – remained relevant to Australian participation in the BE aid scheme, and Treasury obstruction delayed the decision to participate.

The turning point came at the time of the IGGI meeting at Scheveningen at the end of June,\footnote{Interview with a Foreign Affairs official involved.} when most other IGGI members announced their 1967 commitments.\footnote{See the Scheveningen final communique, \textit{Current Notes}, Vol.38, No.6 (June 1967), pp.263-4.} The Australian
delegation was aware from private communications with the Indonesians that they wanted Australian participation in the scheme. The delegation sent back to Canberra strongly worded cables to the effect that Australia should participate.\(^1\)

External Affairs, with reinforcement from Australia's IGGI delegation, and Trade and Industry together succeeded in Cabinet in overriding Treasury opposition,\(^2\) and Australian participation was announced in the August Budget speech. The circumstances leading up to Australian participation in the BE aid scheme clearly demonstrates the interplay between departments over aid policy - in this case involving political, trade and monetary considerations - and the way in which External Affairs was able to pursue successfully its foreign policy objectives.

**Pre-budget commitments and expanding aid to Indonesia.**

The timing of the announcement and the size of Australia's commitment to Indonesia in 1968 reflected even more clearly the extent to which External Affairs was determined, among other things, to extract maximum diplomatic advantage from the Indonesian aid programme. On 3 March, while the Chairman of the OECD's Development Assistance Committee, E.M. Martin, was visiting Australia,\(^3\) Hasluck announced that Australia intended to allocate $12.7 million for economic aid to Indonesia during 1968/69.\(^4\) This was an important break with standard budgetary practice, that no major commitments should be made before the budget was brought down.\(^5\) That announcement took place in the month preceding the next scheduled meeting of the Inter-Governmental Group on Indonesia (IGGI), and something of the method of operation of that organisation has to be understood before the issues involved in Australia's 1968 commitment.

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\(^1\) Interview with a Foreign Affairs official involved.
\(^2\) Interviews with two Foreign Affairs officials.
\(^4\) Ibid.
can be fully appreciated.

Although IGGI (at first known as the 'Tokyo Club') had initially met more frequently, by 1968 it had settled into a pattern whereby Indonesia's annual aid requirements together with its long-term debt rescheduling problems were considered at a December meeting, and a briefer meeting in April was called to record donor commitments for the current calendar year. Between December and April in particular, but at other times as well, there was considerable IGGI pressure for members to fully support the programme which, on IMF and IBRD advice, it had determined was necessary for Indonesian economic recovery and development. In this respect, two particular representatives on IGGI played very important roles. While meetings of the Group were chaired by a Netherlands' representative, it was one of his colleagues, J. Everts who, throughout the 'sixties, took the lead in IGGI meetings and was a very forceful and assertive protagonist for the Indonesian cause.\(^1\) The second out-spoken representative in the early years of the organisation was R. Barnett, a United States State Department officer who also was a vigorous pro-Indonesian activist. Before the IGGI pledging meetings in April, Barnett would send cables out of Washington asking members how much they would be contributing.\(^2\) Everts and Barnett were two important initiators of the strong pressure which IGGI applied from 1967 onwards. In part this pressure can be interpreted as resulting from the efforts of Western countries to draw Indonesia back into the Western camp: that certainly suited American as well as Australian foreign policy objectives.\(^3\) At the same time there were also significant forces aimed at assisting Indonesian economic recovery, and

\(^1\) Interview with a Foreign Affairs official involved.

From 1954, Everts had been head of the section in the Netherlands Department of Foreign Affairs which handled foreign aid. When that section was upgraded in 1966, he remained Head of the new Directorate of Financial and Economic Aid. He was regarded within the Netherlands Department as the expert on foreign aid. - Personal communication from the Royal Netherlands Embassy, Canberra, 5 March 1974.

\(^2\) Interview with a Foreign Affairs official involved.

\(^3\) Interview with a Foreign Affairs official involved.

individuals such as Everts made important contributions in this direction as well.\(^1\)

The Australian response to pressure from, and diplomatic opportunities provided by, the Inter-Governmental Group was very much influenced by Shann. He recognised the importance of foreign aid in the development of relations between Australia and Indonesia, and was sympathetic to Indonesia's plight,\(^2\) and being one who by nature preferred to be amongst the pace-makers rather than the tail-enders, particularly at those IGGI meetings which he attended,\(^3\) Shann went to considerable lengths during 1967/68 to change Australian policy on aid to Indonesia. Following the 1967 commitment, which was announced four months late as far as IGGI pledging arrangements were concerned, Shann battled with Treasury to get agreement for the much earlier pre-Budget decision.\(^4\) Although in his 3 March statement Hasluck was not explicit concerning the reasons for the early announcement, the Department's Annual Report for 1967/68 indicated that this 'important break' with budgetary practice had been made because the Indonesian Government needed to know well in advance what aid it could expect from other countries and because Australia wanted by its example to encourage other potential donors of aid.\(^5\)

However, advance information for the Indonesian Government, although ostensibly the primary reason, was only of secondary importance. As in the case of major projects which continued over one or more financial years, External Affairs was able to provide assurances of future aid even though specific commitments could not be announced. It was more important for Australia's relations with Indonesia that the early

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\(^1\) Interview with a Foreign Affairs official involved.

\(^2\) Arndt, 'Australian Economic Aid to Indonesia', p.131.

\(^3\) Interview with a Foreign Affairs official involved.

\(^4\) Shann was present at a number of IGGI meetings between 1967 and 1969.

\(^5\) Interview with a Foreign Affairs official.

commitment should set an example for other donors. That was implicit in Hasluck's statement, in which he indicated that $US220 million of the $US325 million required in 1968 had already been promised, concluding with the hope that at the April pledging meeting, 'other donors would be able to come forward with commitments to meet the balance.'\(^1\) A third reason for Australia's early announcement was also alluded to in Hasluck's statement.

Although Australia has provided all its aid to Indonesia as grants rather than loans, it had taken part also in discussions on rescheduling Indonesia's debts and had been able to express its view that creditor countries should act sympathetically towards Indonesia.\(^2\)

External Affairs was keen to take every opportunity to enhance Australian prestige within IGGI in order that Australia's views should carry as much weight as possible.

Australia had been invited to participate in the rescheduling discussions on Indonesian, American and Dutch initiatives in the face of Italian and French opposition. Because it was not a creditor nation, it was important that Australia should establish its right to be outspoken on Indonesia's behalf. This it did in part, in 1968, by making an early announcement of its increased aid commitment. Subsequently Australia was able to make a significant contribution to the rescheduling discussions, to the point where France, West Germany and Britain, on a number of occasions, became irritated with Australia on account of the pro-Indonesian stand its representatives were taking.\(^3\)

Most of the factors mentioned above in relation to the timing of the 1968 announcement were also relevant to the size of the 1968/69 commitment. Australian aid to Indonesia was

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\(^1\) *Current Notes, Vol. 39, No. 3 (March 1968)*, p. 106.

\(^2\) Ibid.

\(^3\) Interviews with two Foreign Affairs officials involved. A third Foreign Affairs official interviewed particularly recalled Australia's forceful and successful advocacy of softer terms for Indonesia at the 1969 rescheduling discussions.
increased from $6.2 million in 1967/68 to $12.7 million in 1968/69 (a 105 per cent increase) while the IGGI estimates of Indonesia's requirements had risen from $US200 million to $US325 million (a 63 per cent increase). Again, the example which Australia set, Australia's prestige among members of the Group and persistent IGGI pressures, as discussed above, were important considerations. However, the higher rate of increase of Australia's contribution, when compared with the IGGI assessment of Indonesia's needs or absorptive capacity, suggests that External Affairs officers may also have felt that Australia should simply bear a greater share of Indonesia's foreign aid requirements. That was a consideration which would have led to the same decision as another based on a desire to continue to improve diplomatic relations with Indonesia by means of annual aid commitments which were regularly significantly larger, in absolute and proportional terms, than foreign aid granted on a continuing basis to any other recipient since the beginning of the Colombo Plan. From 1968/69, Indonesia received by far the largest proportion of Australian bilateral foreign aid, and that represented a significant change in aid policy.

Three-year commitments of aid to Indonesia.

In 1970, Indonesia was again the focal point for a change in aid policy affecting the duration for which aid commitments to certain recipient countries were made. Whereas previously aid to recipient countries had been committed only on an annual basis, in April McMahon advised Parliament of the Government's intention to provide $53.8 million ($US60 million) in economic assistance to Indonesia

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2 Interview with a Foreign Affairs official involved.
3 See Appendix 2 below.

The larger proportional amounts of aid granted to India and Pakistan on occasions in the 'fifties and 'sixties were the result of unusual short-term circumstances involving the 'teething years' of the Colombo Plan, delays in the supply of equipment, and drought-caused famine.
over the three-year period 1970/71 to 1972/73. This longer-term commitment was introduced, McMahon explained, 'so that the Indonesian Government, with this forward knowledge, can integrate our aid commitment into its own planning'.

This was the first occasion on which Australia had publicly entered into a forward commitment of a whole country programme as opposed to forward commitment for a specific project or a regional programme.

Forward commitment as such was by no means new. Two-year and later three-year SEATO aid programmes had operated since 1956. In 1960 Australia entered into an agreement which came to involve a forward commitment of $23,269,000 to the Indus Basin Development Fund over a ten to twelve year period. From 1962 major long-term road projects of up to four years duration had been undertaken in Thailand. In order to facilitate execution of these projects, a standard formula for commitments beyond the current financial year had been agreed on between the Department of External Affairs and the Treasury in the early 'sixties. In all the cases mentioned, however, normal estimates procedures still applied for determining the year by year appropriation of the total amount committed, and the same was to apply for the total Indonesian programme from 1970/71. Thus in terms of the administration of aid, as opposed to aid policy, the forward

2 While it was new for the total amount of aid to one particular recipient country for a three-year period to be announced in advance, it was even only rarely that the one-year total to a particular recipient country was made public.
4 Department of Foreign Affairs, 'Australian Aid to Thailand', p.6.
5 The limits laid down for forward commitments were: one year ahead, 75% of the current year's appropriation; two years ahead, 50%; three years ahead, 25%; and each subsequent year, 10%. - OECD, Australia's International Development Assistance, p.39.
commitment to Indonesia did not involve any major new procedures.

The Government's stated reason for the new three-year commitment was its desire to facilitate Indonesian forward planning by providing longer term assurances of forthcoming economic assistance. Certainly Indonesian development planning had become more complex with the introduction, in 1969, of the new five-year development plan (as opposed to the earlier stabilization plan),¹ and under those circumstances, assurances of future aid were valuable. However, in 1970, Australia was still only contributing a relatively insignificant proportion (just under 3 per cent) of the aid requested through the Inter-Governmental Group on Indonesia (IGGI), and therefore the impact of its aid on Indonesian planning would have been minimal. That, of course, is not to discount the value of the Australian initiative as an example to others: some IGGI members did later follow suit.²

In addition, however, there were unstated reasons behind the Government's decision to announce a forward commitment to Indonesia. That these were not made public was consistent with the tendency already discussed of publicly dissociating aid from Australian political or economic considerations.

The three-year Indonesian aid commitment was directly associated with the diplomatic impact, at that time, of Australian aid in general, and aid to Indonesia in particular. Around 1969 Australia was experiencing a degree of regional insecurity, and the direction which its foreign policy should take was not clearly evident.³ In his first parliamentary statement on international affairs after becoming Minister for External Affairs, McMahon had suggested


2 Interview with a Foreign Affairs official involved.

3 Interview with a public servant who was an External Affairs official at that time.
that:

Profound changes are taking place in the Asian and Pacific region... The effects of these changes cannot all be predicted with certainty. Consequently, we must remain sensitively aware of their effects and always ready to make adjustments where necessary.¹

In this context, the four major trends on which McMahon focused attention were Communist policies, which included the search for detente, Russian influence in Asia, and China's relations with the international community; the British withdrawal east of Suez, which the Australian Government 'strongly hoped' would be delayed; Japan's regional role, which was growing as Japan became more active overseas; and finally, the Nixon Doctrine, which, apart from its guarantees, involved a gradual withdrawal of United States'manpower from Viet Nam.² Partly as a consequence of these circumstances and partly as a continuation of existing policy, McMahon summarised three of his six foreign policy objectives as being:

(iii) to develop and deepen our relationship with the countries of the Asian and Pacific region;

(iv) to strengthen our co-operation with these countries through such organisations as ECAFE, the regional bodies of the United Nations specialised agencies, the Asian Development Bank and the Asian and Pacific Council;

(v) to ensure that Australia's views are clearly heard on all occasions of importance to the welfare of the region and to this end to seek to maintain the Australian diplomatic representation at an effective level both in the region and in the major capitals of the world;³

To an important degree, the achievement of these objectives depended in the long-term, as it had for two decades, on Australia's economic aid programme. As McMahon said in speaking of Australian policy accomplishments since

² Ibid., pp.676-9.
³ Ibid., pp.684-5.
World War II:

We have worked constantly and with a good deal of success to strengthen our relations with our Asian neighbours. And we have established, we believe, a reputation for sincerity and goodwill, supported by our economic and military aid programmes. ¹

During 1969, within the context of the changing international situation as perceived by the Government, senior aid officials in the Department of External Affairs had felt that Australia was only getting limited diplomatic value out of its aid programme.² By way of comparison, it was felt within the public service that for diplomatic purposes, Canada was exploiting its foreign aid effort to a much greater extent. Publicly, much was made of Canadian aid when its commitment was initially announced, again when that commitment was appropriated, and again when the unspent portion of the programme was recommitted.³ The idea to increase the political impact of Australian aid originated with K.C.O. Shann, First Assistant Secretary in charge of aid and economic relations, and in August 1969 work was begun within External Affairs to introduce a three-year commitment for Australia's largest external aid recipient - Indonesia.⁴

The difficulties of creating a significant political impression with small appropriations had already been demonstrated. In March 1969, Prime Minister Gorton had announced the commitment of $15 million as economic aid to Indonesia and in addition indicated it had been decided to commit in advance $4 million to finance economic development projects during 1970/71 and 1971/72.⁵ This forward commitment

¹ Ibid., p.683.
² Interview with a Foreign Affairs official involved.
³ Interview with a Treasury official.
⁴ That task had been given to P.J. Flood when he returned to direct the Aid Policy Section after having represented Australia at the Development Assistance Committee of the OECD. - Interview with a Foreign Affairs official involved.
made so little impact that after the External Affairs Annual Report for 1968/69, no further mention was made of it in Departmental references to Australian aid for Indonesia.¹

The three-year commitment announced in April 1970 was essentially a 'public relations' exercise: $53.8 million obviously sounded vastly better than $17 million² - the portion which eventually was appropriated for 1970/71.³ In this way the Department considered it would establish a more favourable relationship with Indonesia, would create a more significant general diplomatic impression within the international community, and would enhance its status as a pro-Indonesian advocate among other IGGI members.⁴

In the process, an important precedent was established for increasing the diplomatic value of aid programmes in other countries or regions. In 1971, a three-year, $25 million economic and defence aid package for South Viet Nam was announced⁵ and in May 1972, during the week preceding a visit from the Prime Minister of Fiji, the Government committed $15 million in economic aid to the South Pacific over a period of three and a half years.⁶


² Interview with a Foreign Affairs official involved.


⁴ Interviews with three Foreign Affairs officials involved.


The 1971/72 increase in the South Pacific Aid Programme (it almost doubled from $543,000 in 1970/71 to $996,000 in 1971/72 - Bowen, Australian Foreign Aid, p.60) and the increased long-term commitment announced in 1972 were also closely related to the Government's uncertainty, at the turn of the decade, concerning the direction in which its foreign policy in Asia and the Pacific should move. In particular, Australia was concerned about the way it was regarded by South Pacific countries. - Interview with a Foreign Affairs official.
This study of foreign aid policy within the public service over a period of more than two decades has drawn attention to three important aspects of the political process within which aid policy was determined. First, it has outlined the nature of public service involvement. The Department of External Affairs, carrying the primary responsibility for aid policy, initially laid down guidelines and administrative practices which remained apposite for more than ten years. From the early 'sixties, however, a number of more complex policy issues began to emerge in the international arena. Within the World Bank group, the International Development Association was established to provide concessional loans to less-developed countries, and Treasury, already having carriage of policy regarding the IBRD, also took responsibility for Australian participation in the new institution. Australian aid through the IBRD, the IDA and later through the Asian Development Bank (another Treasury preserve) constituted a large proportion of Australian multilateral aid from the mid 'fifties. During the early 'sixties, Australia also became involved in aid programmes which were more directly linked to the political situation in the Indo-China region. In addition, the Government was being caught up in international discussions on development issues at the United Nations, at GATT meetings and at the first United Nations Conference on Trade and Development. During the same period Australia also was being forced, by Britain's proposed entry into the European Economic Community among other reasons, to search for new export markets. As one of a number of avenues of exploration, the Department of Trade began to take a closer interest in aid for its export promotion potential. Partly as a means of adapting to the changing situation and partly as a means of maintaining control over policy, in 1964-65, External Affairs took responsibility for an inter-departmental review of Australian foreign aid — the only one to have been undertaken during the period under study. One of the consequences of the review was that External Affairs strengthened considerably its aid operations, particularly that section responsible for policy, and was thus able to retain its position of dominance.
among departments with interests in aid policy, or more particularly, bilateral aid policy.

Second, in spite of often justifiable Treasury constraints, and in spite also of increasing Trade and Industry interest from the early 1960s, External Affairs was able to ensure that foreign policy objectives, primarily involving Australia's diplomacy and military strategy, remained at the forefront of government thinking on aid policy. Strategic considerations were strongest in the early 'fifties and mid 'sixties when serious military threats were perceived in the region. However, Australia's diplomatic relations with neighbouring countries were of continuing importance throughout the whole period. In a more specific sense, the focus of regular bilateral aid commitments (excluding emergency aid) has been seen to shift from South Asia to South-east Asia, with particular emphasis on Indonesia. From 1967, after political relations between Australia and its nearest neighbour had been placed on a new footing, the aid programme to Indonesia was rapidly expanded, and soon became the largest of Australia's bilateral aid programmes.

Third, this examination of public service involvement has illustrated the manner in which Australian foreign aid became relatively more professionalised from the mid 'sixties. This came about partly in response to increasing international concern over development issues, and partly as a result of a desire to improve the economic efficiency, and hence also the diplomatic value, of the bilateral component of the foreign aid programme.
CHAPTER EIGHT

PARLIAMENT AND PARTIES

Any analysis of Parliament's role in aid policy formulation must be set in the broader context of its role in relation to defence and foreign policy in general. The view has been advanced that few...would seriously claim that Parliament is effective in the fields of foreign policy or defence. The factors that make it ineffective in these fields include, of course, those that make it generally ineffective - its smallness, the rigidity of the party system, the number of its sitting days, and so on. There are, however, special factors that reduce its contribution in foreign policy and defence: first, absence of information; secondly, absence of effective standing and ad hoc committees; and, thirdly, the irresponsibility of the Opposition.1

This view is reinforced by another assessment, this time of the relationship between the executive and other Members of Parliament:

The Opposition is able to carry on a good deal of shadow-boxing with the government parties, but hardly ever exercises any influence on executive policy or the shape of legislation. The back-bench government MPs are able to exert some influence on both executive policy and legislation, but this is hardly ever done in Parliament; it is done in party meetings or by back-stairs contact with Ministers.2

Thus the non-executive3 Members of Parliament have found

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3 Executive, (i.e. Government,) aid policy has already been considered in Part II above.
themselves considerably constrained, regarding foreign policy, by the nature of the institution in which they have found themselves.

Another possible source of constraint on Members in the field of defence and foreign policy was the extra-parliamentary party to which he or she belonged. For the period under study, however, the extra-parliamentary parties of the governing Liberal-Country Party Coalition were in a very weak position at the federal policy level. In particular, because meetings of the Liberal Party's Federal Council were held in secret, there is no evidence to indicate that the Liberal Party had a policy on foreign aid which was in any way distinct from that announced by the Government from time to time. Moreover, the annual conference of the Country Party rarely concerned itself with policy issues which were peripheral to its principal rural sphere of interest, and even had foreign aid been raised as a policy issue within the annual conference, its significance would have been minimal because the Country Party's organisation was clearly subordinate to the parliamentary party. Thus the parliamentary members of the governing parties were neither inhibited nor stimulated by the policy positions taken by their extra-parliamentary party colleagues.

Labor Members of Parliament had to respond to an entirely different party organisation. Particularly when in Opposition, the Parliamentary Labor Party was obliged to adhere to the platform of the Australian Labor Party (ALP) as laid down at successive Federal Conferences. And that body had expressed concern about broad issues of economic and political development in less-developed countries, and foreign aid, since 1948. However, ALP policies on foreign aid have largely come to the notice of the public only as they have been taken up and expounded by politicians.

3 Ibid.
For these reasons, the emphasis in this chapter is placed on debates in both Houses of Parliament, in which members of the three major parties have participated.

The principal questions addressed here are 'To what extent were foreign aid policy issues significant?' and 'Were any major differences over aid policy evident between Government and Opposition parties?' It will then be possible to assess the influence exercised by Parliament and the political parties in aid policy formulation.


In his 9 March 1950 Ministerial Statement on International Affairs, Spender provided details of the Colombo Plan proposals to a generally sympathetic House, although evidence of scepticism was present. Both Evatt and Kim Beazley, Labor Member for Fremantle, indicated that in principle the Opposition was in agreement with the Government's policy on external economic assistance. Evatt was quick to point out that such a plan formed part of the ALP's official policy, and proceeded to quote from the Platform adopted at the 1948 Federal Conference. Provision had been made, he said, for

Active co-operation with the Governments of the Pacific and South-East Asia to assist in the economic and political development of those areas by means of regional agreements and by means of direct technical, educational and material assistance.1

Just three months later, during the debate following Spender's report on the May British Commonwealth Consultative Conference, Beazley described the decisions taken as representing 'a logical continuation of the policy of world relief and reconstruction that was pursued by the Chifley Government'. Consequently, in his view, apart from a lack

of attention to the 'vital food-producing regions' of the Irrawaddy and Mekong River valleys - to the importance of which W. Kent Hughes, Liberal Member for Chisholm, had already drawn attention -

...no exception can be taken to the decisions of the conference. The sending of technical officers to Asia, the continuance of the training of Asiatic students in Australia, and the granting of financial assistance for the restoration of industry are policies that the Opposition endorses.¹

On the Government side of the House also, Members gave general support to the scheme, but compared with ALP speeches their contributions were brief and added little to the arguments used by Spender.²

Not only was there general agreement about the scheme as proposed, but the Opposition also concurred in the objectives and considerations which the Government identified as relevant to the whole question of external economic assistance. Evatt directly associated himself with Spender's enunciation of the central issue:

The honourable gentleman said that the primary objective of such [economic and technical] assistance was to improve living standards and help to check the spread of Communist or other extremist influences in that region. With that general statement of policy I think everybody agrees.³

Evatt's generalisation was certainly justified in the debates which followed. A.C. Bird, the Labor Member for Batman and the only parliamentarian to take a close and consistent interest in the Colombo Plan during the 1950s, also accepted that the standards of living in South and South-east Asia

¹ Beazley, CPD, Vol.208, 8 June 1950, p.4046.
should be raised 'as a means of fighting communism'.

Later in the same international affairs debate, L.C. Haylen, Labor Member for Parkes, asserted that 'In India and Indonesia we have a spine of resistance to communism stretching from Delhi to Djakarta' and, after indicating that what was needed was 'a great Marshall Plan for liberal spending to assist the Asian people to their feet and to buttress the government [sic]', he continued:

We are fighting, not only for the Indonesian, the Chinese or the Indian coolie but for the maintenance of democracy in Asia, and, through that, for the future of every Australian man, woman and child.

In addition, G.W.A. Duthie, Labor Member for Wilmot, spoke on the need for economic development in the East in order to stem 'the Red tide' and (as an indication of the level of understanding of some Members of Parliament), while elaborating, was called to order by the Speaker of the House for introducing an 'economic argument' into a debate on 'international relations'. Most Opposition members viewed the proposed scheme for providing economic assistance to Asian countries in a similar bipartisan manner. They regarded the political objectives - preventing the advance of communism and thereby enhancing Australian security - as being the most important. Only Evatt devoted any time to the possibility of a link between economic aid and trade, but he connected that also with the political goal of establishing friendly relations with neighbouring countries.

During those first few months, only Chifley expressed a primary concern for the 'great social misery' of the people of Asia, and emphasised that schemes for economic assistance

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1 Ibid., 21 March 1950, p.961.
2 Ibid., p.973.
3 Ibid., 23 March 1950, p.1188.
should be 'guided by the highest humanitarian ideals'.

It was generally agreed by both Government and Opposition members alike that the primary objective of the aid scheme was political in character, but it was the underlying assumption that economic development would stop the spread of communism which was the subject of some sceptical comment. A Liberal Member, B.W. Graham, considered it was ridiculous to believe that the progress of this 'new movement'—communism—would stop even if the standard of living in Asia could be rapidly increased to the level enjoyed by Australians. D.H. Drummond, a Country Party representative, felt that the sort of assistance Australia could provide 'would be of such a nature that it would not affect the progress of communism'. Furthermore, he asserted that

Australia should not be paraded as a sort of Father Christmas that can give unlimited assistance to the peoples of Asia. We should concentrate on the development of our own nation.  

Later in June, Calwell made a similar point about the insignificance of the proposed level of assistance. He acknowledged that the objective in helping these countries was 'partly humanitarian and partly to effect an insurance against the risk of the spread of communism' but was not optimistic about the effectiveness of the foreign aid insurance principle. As he explained without any qualification:

The Chifley Government tried that procedure. It gave assistance in the way of scholarships. It gave financial aid to Asiatic people in varying degrees but that did not stop the downward rush of Asiatic communism.

Furthermore, regardless of the level of assistance involved—with or without United States participation—Calwell was not

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1 CPD, Vol.208, 8 June 1950, p.4051. W.M. Bourke in his speech on 23 March (CPD, Vol.206, p.1159), had dealt in humanitarian terms with major problems for South-east Asia, but he did not make that emphasis explicit.
3 Ibid., 23 March 1950, p.1166.
4 CPD, Vol.208, 8 June 1950, p.4039.
sure that it could justifiably be assumed that non-communist Asian countries could be helped to remain non-communist.¹

This sceptical approach, however, was only expressed by a small number of parliamentarians in the early stages of the aid programme and it did not develop into an anti-aid group of any description within either House. Consequently later criticism of different aspects of Australian foreign aid took place within a bipartisan approach involving general acceptance of the objectives and the broad direction of the programme as laid down by Spender and elaborated by Casey after him.

**SEATO and foreign aid.**

When the SEATO Treaty was drawn up in 1954, Article III, the economic clause, constituted recognition that military security also depended on non-military considerations. Before very long it became obvious to some Members of Parliament that this particular article was not being taken very seriously. Bird observed that both Menzies and Casey had emphasised the military aspects of SEATO, and also that Casey intended that SEATO and the Colombo Plan would be kept entirely separate.² The debate over the military and economic aspects of the SEATO Treaty gave rise to one of the earlier statements by a member of the ALP comparing aid and defence expenditures - a comparison that was drawn relatively frequently during the following two decades. Bird drew attention to the $400 million being spent by Australia on defence while its Colombo Plan expenditure amounted to a mere $8 million. He made a strong appeal for increased economic assistance, either as an integral part of SEATO or as a large-scale expansion of the Colombo Plan. He even suggested that the current $70 million defence increase could have been spent instead on the latter scheme.³ In pressing for more economic aid perhaps at the expense of defence expenditure, Bird was not by any means wishing to downgrade the importance of defence preparedness. While advocating greater economic

¹ Ibid., p.4041.
³ Ibid., p.166.
assistance as a non-military approach to security in the region,¹ he also had in mind that if large-scale aid was channelled to the region in accordance with Article III then it was most likely that the two important Asian countries, India and Indonesia, could be induced to join the SEATO security alliance. In Bird's view, that would overcome what he regarded as the major defect of the treaty - the absence of 'Asian countries of consequence'.²

In 1956, the Government decided to make available $4 million over a number of years as economic 'defence support' assistance under SEATO³ but this attracted little attention in Parliament. In early 1957, Labor Senator D. Willesee, believing that Australia's $4 million offer was 'the only contribution on that level that has been made by the member nations', considered it was a complete waste of money as it was insufficient for the size of the area involved.⁴ Twelve months later, Evatt also expressed opposition to this economic assistance; in his view such aid was for the purpose of war and not for welfare, and the Government was not taking sufficient account of the need of SEATO area countries for non-military economic aid.⁵

In subsequent years, the SEATO aid picture became more complex. As well as being used for the provision, among other things, of para-military supplies such as vehicles or communications equipment, SEATO aid came to be channelled into cholera research in Pakistan⁶ as well as other non-military projects. With SEATO economic aid being less obviously defence oriented, Opposition attention came to be focused solely on the value of the Treaty as such. At the 1963 ALP Special Commonwealth Conference on Foreign Affairs and Defence, the Party declared that SEATO had been unsuccessful in achieving

¹ Ibid., and see also CPD, Vol. H of R 5, 3 November 1954, pp.2590-1.
² Ibid., pp.2589, 2590.
³ See Chapter Three, pp.81-2, above.
⁶ The Senate's attention was drawn to this non-military development by Labor Senator J.I. Armstrong, CPD, Vol. S 14, 29 April 1959, p.1103.
its objectives; a report to the Conference by its Standing Committee on Foreign Affairs had simply stated:

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\text{It is plain that the economic measures proposed by the treaty have been ineffective even within the limited area of the treaty.}^1
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SEATO economic aid was rarely dealt with at any length by members of the Government parties. Only R. Cleaver, Liberal Member for Swan, devoted a full speech to the subject, as late as 1963, but his speech relied very much on the most recently published SEATO report and did not reflect continuing enquiry on his part.\(^2\) Cleaver indicated that Australia was the only country with a special SEATO economic aid programme, but neither he nor any other Member of Parliament thought this of sufficient significance to warrant further debate.

**Technical assistance, and aid wastage in less-developed countries.**

During the 'fifties both Government and Opposition Members of Parliament pressed for an increased emphasis on technical assistance within the Colombo Plan. Throughout that period, official statistics on aid were usually broken down to capital aid, which included both commodities and equipment, and technical assistance, which covered Australian experts sent abroad as well as the training in Australia of students and others from overseas.

These appeals for a greater emphasis on technical assistance cannot be separated from the question of corruption in recipient countries. As early as 1951 and 1952, both Labor and Liberal parliamentarians were warning that foodstuffs and other goods could fall into incompetent or corrupt hands, and it was therefore suggested that aid in the form of technical assistance, being less corruptible, was preferable.\(^3\) In April 1957, a Labor Member suggested that the proportion of

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technical assistance in the Colombo Plan should be raised from its current level (approximately 13 per cent) to 50 per cent.¹ In October of the same year, a Labor Senator drew attention to a Ceylonese report that less than half of the Colombo Plan aid allocated since 1951 had been utilized and that machinery and bulldozers were left rotting in the jungle.² And in early 1958, Members from both sides of the House questioned the wastage, due to different agricultural methods used, of machinery in Pakistan, as alleged by a former Australian official of the Food and Agricultural Organisation, R.E.G. Cunningham.³ During this minor controversy, the Liberal Member for Wentworth, Leslie Bury, suggested that Australian aid could be much better directed towards providing technical assistance to train personnel, thereby

bringing home, particularly to the broad numbers of people who are engaged in comparatively simple activities in these countries, our superior knowledge and way of doing things.⁴

When the Estimates in 1958 and 1959 were seen to contain a small but noticeable increase in the proportion allocated to technical assistance, individual Members were quick to express their approval of the trend,⁵ but Casey insisted that it had developed not because capital aid was regarded as inefficient, but because increasing requests for technical assistance had been received.⁶

In 1960, Menzies agreed that there was a growing Colombo Plan emphasis on technical assistance;⁷ in 1962 Barwick was prepared to concede that the Government had made the mistake initially of providing too much capital aid and too little technical assistance but, he said, appropriate action had now

⁴ Ibid., 1 May 1958, p.1392.
been taken.\textsuperscript{1} Although the question of wastage and corruption was mentioned briefly again some years later, by two Liberal Members,\textsuperscript{2} appeals for an increased emphasis on technical assistance did not again reach the same proportions.

One other criticism of capital aid, or more particularly of equipment aid, which is made within the literature is the inappropriateness of advanced technical machinery considering the availability of labour in many less-developed countries. However, on only one occasion did a Member of Parliament (Labor) criticise the provision of equipment aid on the grounds that increased mechanisation would create major unemployment problems.\textsuperscript{3} Parliamentarians apparently were more aware or concerned about aid wastage from Australia's point of view than about the appropriateness of aid to the developing country. In this respect, it is apparent that they had only a limited appreciation of the development issues involved. All understood that rusting machinery was wasted; all apparently took it for granted that the technical assistance Australia provided was more likely to be constructively utilized. However in Australia at that time, little was known about the particular value of experts, or the usefulness of Australian training for particular overseas students.\textsuperscript{4}

\textbf{Emergency aid to India.}

The level of parliamentary debates over foreign aid depended to a large degree on the public availability of assessments of (as opposed to administration or technical information about) different aspects of the programme. This has been particularly evident in relation to emergency aid; major disasters have usually attracted the attention of the media and other public commentators. This was certainly so

\textsuperscript{1} CPD, Vol. H of R 36, 3 October 1962, p.1130.
\textsuperscript{3} CPD, Vol. H of R 19, 1 May 1958, p.1405.
\textsuperscript{4} The first studies of these questions were not undertaken until the mid 'sixties - see Boxer, \textit{Experts in Asia} (1969), and Daphne M. Keats, \textit{Back in Asia: A Followup Study of Australian-trained Asian Students} (Canberra, 1969).
with regard to the famine in the Indian State of Bihar during 1964 and 1965.

Within Parliament, on at least two occasions during the 1950s, attention had been drawn to Indian famine situations, but the Bihar crisis of 1964 was much more serious. From August, many Opposition Members and one or two Members from the Government benches advocated emergency food aid in their speeches or questions to Ministers; in addition, a number of petitions calling for aid were presented. Two themes emerged from the parliamentary exchange which was drawn out over some six months. First, in response to Opposition pressure for the Government to take the initiative and offer a gift of wheat, Government Ministers repeatedly insisted that as India had not requested assistance, Australia was not going to take unilateral action. This should not be interpreted as a lack of concern on the part of the Government; as the Minister for Primary Industry, Charles Adermann, pointed out, the Government did attempt (though unsuccessfully) to divert to India wheat which was en route to the United Kingdom. The response that no request had been received was also the Government's principal method of dealing with the specific public demand for a 1 million ton wheat gift - that is until India made a request, in February 1965, for 1 million tons of wheat to establish a buffer stock.

The second theme which emerged was that the continuing viability of Indian democracy was regarded as very important. This theme was also developed in the press and in academic circles. Expressed in passing by many Members, it was most clearly enunciated by the Labor Member for Kingston, P. Galvin, in his attack on the Government during the 1966 Budget Debate. After referring to his earlier request for military aid to

2 For an examination of the public reaction to the 1964 Bihar crisis, see Chapter Nine below.
6 See Chapter Nine below.
India 'when India was savagely attacked by the Communist aggressors from China', he went on to describe the current famine:

This is our chance to do something to retard the march of Communism, if we want to retard it, and if we want to see the proud nation of India carry on its fight for democracy. Despite all her difficulties India has played a magnificent part in maintaining her democracy. India prides herself on her parliamentary system. She is the beacon light showing the rest of the Asian nations that democracy can work.¹

The attitude of Members of Parliament towards emergency aid for India was strongly influenced by widespread beliefs about the importance of the Indian democratic example in Asia.

By the time Parliament had reassembled in 1965 the Government had announced an $8 million gift of wheat, the public clamour for aid to India had subsided, and little further parliamentary attention was given to the issue. In response to the subsequent Indian crises of late 1965 and late 1966, the Government clearly took the initiative and quickly provided two similar gifts of wheat for the famine areas. In contrast with the 1964 crisis, those in following years attracted minimal attention from Members of Parliament.

Civil aid to South Viet Nam.

In 1967, civil aid to South Viet Nam emerged as a relatively minor (in terms of the number of speeches) though important issue. By then, although separate budgetary allocations were still made, in public there was rarely any distinction drawn between SEATO aid and Colombo Plan aid to South Viet Nam: both were gathered under the heading of civil aid to Viet Nam. However, for diametrically opposed reasons, both the Government and the Opposition regarded civil aid to South Viet Nam as inseparable from the Australian military commitment.

After some initial hesitation, the Labor Opposition had

become more and more opposed to Australia's military involvement in Viet Nam. As L.H. Barnard said in 1967 in his first speech on foreign affairs as Deputy Leader of the Parliamentary Labor Party:

The Government is now firmly bound by its initial folly in committing Australian troops to Vietnam. There are two ways in which it can remedy its serious mistakes of the past: firstly, it can exert maximum pressure on the United States to open immediate negotiations for settlement of the war and, secondly, it can transform Australia's commitment from a military commitment into a commitment for civilian aid to Vietnam.¹

This was another occasion on which an ALP Member advocated an economic emphasis instead of a military emphasis in Australian foreign policy.² At this particular time, Barnard was suggesting increased civil aid as an alternative to Australia's military involvement in the war.

The Government, on the other hand, recognised that civil aid was a necessary part of the war effort. On 1 February 1967, according to Hasluck Cabinet reviewed Australia's civil aid to Viet Nam and decided to increase the commitment to $2 million in the current year. As he explained:

The additional expenditure allows greater emphasis to be given to medical aid, army civic action programmes and municipal projects such as town water supplies...³

In addition, the Government encouraged the voluntary aid agencies represented on the Australian Council for Overseas Aid (ACFOA) to take a greater interest in Viet Nam, a course of action it had not adopted in relation to any other particular recipient country except the Territory of Papua and

² See the approach of the Labor Member for Batman as discussed on pp.271-2, above.
New Guinea. In August, the Minister for the Army, Malcolm Fraser, was much more explicit about the importance of civic action and the support of voluntary groups in Australia. After announcing that civic action was to be widely expanded and that a new Army Civil Affairs Unit of fifty men was being established to ensure continuity, he went on to indicate that the Army was grateful for outside help from the Returned Servicemen's League, the Australian Vietnam Civil Action Project and the Defend Australia Committee because help was needed and furthermore, such assistance demonstrated that a very large number of Australian people supported the troops. In addition he explained:

We find that considerable advantages flow from having civic action work carried out by troops in uniform rather than by civilians. It encourages the local people to gain much greater confidence in those who are actually responsible for their security.

This perhaps suggests why the eight development-oriented rather than military-oriented civil aid projects which the Government-sponsored ACFOA mission to Viet Nam had recommended for Government action at a cost of $208,000 were deemed too costly and beyond Australian resources. For the Government, civil aid was intended to complement the war effort; the Opposition advocated increasing the civil aid commitment 'on a great scale and at great speed' but regarded it as an alternative, not a complement, to military involvement in South Viet Nam.

Emergency aid to the East Pakistani refugees.

During the period under examination, the foreign aid issue which generated the largest amount of parliamentary activity was that concerning emergency aid to the East

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1 In 1965, the Government substantially subsidised the Australian Volunteers Abroad scheme, and in so doing, encouraged the sending of a greater number of volunteers to Papua New Guinea - Interview with Mr J. Webb, Canberra, 30 August 1974. See also the official statement announcing this assistance in Current Notes, Vol.36, No.11 (November 1965), pp.766-7.
3 Ibid.
5 Ibid.
Pakistani refugees during the latter half of 1971. There were many more speeches delivered, questions asked and petitions presented by Members on both sides of the House than had occurred over any previous aid issue.\(^1\) In the course of the three-month long debate, the Opposition, through Beazley, initiated a 'Discussion of Matters of Public Importance' on 'the need for Australian initiatives to assist the cause of peace in the Indian sub-continent'.\(^2\) Then, during October, two members of the Opposition, G.G.D. Scholes and Gordon Bryant, moved unsuccessfully for the suspension of Standing Orders in order that a motion for substantially increased aid could be debated.\(^3\) Such procedural attempts by the Opposition to force debates over foreign aid were, until that time, completely unknown.

This high level of parliamentary interest obviously contributed to the mounting level of pressure on the Government to continue increasing Australia's emergency aid to the refugees and later to the East Pakistani residents as well. At first, the influence of this pressure was completely discounted. In answer to a request for increased assistance, the Acting Minister for Foreign Affairs, I.M. Sinclair, said:

> I hope later today to make a further statement in this regard. I can assure the honourable member and the House that it in no way relates to any action that has been taken here or anywhere else by those who seem to me to be more publicity seekers than people genuinely engaged in the search for a solution to the problem.\(^4\)

But the Minister for National Development, R.W.C. Swartz, was later prepared to acknowledge that the activity of Government backbenchers, and the Liberal Member for Holt, Len Reid, in particular, had contributed to the decision to provide an additional $1.5 million worth of aid as announced on

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1 The public campaign over this issue is examined in Chapter Nine below.
4 *CPD*, H of R 74, 5 October 1971, p.1843.
There were a number of other features of the parliamentary debate over aid to the East Pakistani refugees which are important in relation to the existing and future role of parliament concerning foreign aid matters in general. First, on this occasion, a very close link was established between parliamentarians and the voluntary aid agencies and other groups which mounted the public campaign. Petitions calling for more aid, or for increased diplomatic activity in relation to the East Pakistan situation, were presented almost daily from 5 October to 9 December. Many Members acknowledged that they had been bombarded with individual letters, form letters or telegrams, and Whitlam was led to comment that he had 'never received so many letters in so short a time on any subject'. Furthermore, telegrams from the international relief and aid agency, the Oxford Committee for Famine Relief (OXFAM), which were channelled through Community Aid Abroad to all Members of Parliament, provided an important reminder of some of the issues at stake and was a valuable focal point for further aid requests. In addition, this link between Parliament and the voluntary aid agencies was directly maintained by the Liberal Member for Holt. Reid had been President of the aid agency For Those Who Have Less since its inception, and was therefore able to act, in this instance,

1 CPD, Vol. H of R 74, 13 October 1971, p.2247. This acknowledgement may well have been prompted by Reid's outburst the day after the $1.5 million announcement: To date, little notice has been taken of my pleas or for that matter the pleas of anyone else.

... When no notice is taken of one's representations, one begins to wonder just what his role in this Parliament really is.


2 See, for example, CPD, Vol. H of R 74, 13 October 1971, p.2239; Ibid., 26 October 1971, p.2478; and Ibid., 27 October 1971, p.2625.

3 Ibid., 12 October 1971, p.2151.
as a spokesman for the voluntary aid agencies, both in Parliament and in the Government Parties' room.

The second feature of importance was the extent of first hand knowledge among those who were advocating increased assistance. Reid, R.T. Gun (Labor) and M.D. Cross (Labor) had all been in West Bengal together during the 1971 Parliamentary winter recess,1 and the agency of which Reid was President had been linked with India for many years. L.R. Johnson (Labor) had visited refugee camps in Calcutta and attended a conference on Bangla Desh in New Delhi during September or early October.2 And Beazley had maintained a close personal interest in Indian affairs for more than twenty years. Such personal involvement of even a small number of parliamentarians noticeably affected the quality of the Refugee aid debate.

Third, the needs of the East Pakistani refugees could not be separated from the political situation in Pakistan as a whole and, both within Parliament and outside, participants in the debate stressed the need for the Government to act in both spheres - to provide aid, and to take diplomatic action which would help bring about a longer-term solution to the problem. The motion passed by the Parliamentary Labor Party (which formed the basis of Beazley's initial contribution to the debate) included three clauses relating to the political situation in Pakistan and one on the need for increased aid3 and, in the debates in the House which followed, both aspects of the problem were explored. Emergency aid and foreign policy were seen to be inextricably linked.

Finally, this issue highlighted one aspect of the Liberal Government's approach towards emergency aid. When announcing the fourth Australian gift, the Acting Minister for Foreign Affairs drew attention to the UN Secretary General's appeal for emergency assistance for the people still remaining in East Pakistan, and indicated that he had also been informed

that the UN High Commissioner for Refugees would shortly be renewing his appeal for help. The additional aid, Sinclair said, was being offered in the light of need and the United Nations appeals, and should be considered not 'an act of charity but...a fulfilment of our obligations to the international community'. The United Nations provided a valuable comparative yardstick for the determination of emergency aid contributions on an occasion when the need for aid was almost limitless. The Government was also more concerned to ensure that Australian aid was needed and well directed than to bother about its 'small magnitude', as it was described in what appeared to be a report from the Australian Mission in New Delhi which the Minister for Foreign Affairs read to the House. Apparently some public servants involved considered that the level of Australian assistance was not closely enough related to the needs of the situation.

Parliamentary Committee on Australian foreign aid.

The public and parliamentary interest in aid generated over the East Pakistan refugee issue may have been one of the factors leading to the parliamentary investigation of Australian foreign aid in general which took place during 1972. Following discussions between the Parliamentary Joint Committee on Foreign Affairs and the Minister for Foreign Affairs, a Sub-Committee, consisting only of Members of the House of Representatives, was appointed by the Joint Committee to consider (largely in public session) and report on 'What is the most effective form of aid - bilateral or multilateral'. At an early stage it was recognised that such a brief was too limiting and the Joint Committee, with the concurrence of the Minister, broadened the scope of the

2 On this occasion Bury suggested that Australia would be standing up well in relation to aid provided by other countries. - CPD, Vol. H of R 73, 18 August 1971, p.262.
3 Ibid., Vol. H of R 73, 18 August 1971, p.255. An interview with a Foreign Affairs official confirmed that this was most likely a mission report.
inquiry to encompass

(1) The historical background and emergence of foreign aid programmes.
(2) The international setting for foreign aid programmes.
(3) The forms of aid -
   (i) Bilateral Government aid;
   (ii) Multilateral Government aid; and
   (iii) Other forms of non-Government aid.  

There are three aspects of this parliamentary aid inquiry which warrant close examination: the composition and method of operation of the Sub-Committee which was formed to undertake the inquiry, the involvement of non-governmental interest groups, and the consequences of public service participation.

The Sub-Committee brought together all the Lower House members of the Joint Committee on Foreign Affairs, including six Liberal Party members, two members of the Country Party and six members of the ALP, under the Chairmanship of H.B. Turner, the Chairman of the Joint Committee. While the House was sitting, most were present at the public hearings but during the Parliamentary winter recess when the major part of the investigation was undertaken, only Turner (Liberal), A.A. Staley (Liberal), W.L. Morrison (ALP), Bryant (ALP) and L.J. Reynolds (ALP) were in regular attendance.  

Morrison, with a background of diplomatic service and involvement with aid administration in the Department of Foreign Affairs while on overseas postings and while based in Canberra, was the only member of the Sub-Committee who brought to the inquiry a detailed knowledge of aspects of the Australian aid programme. Consequently, in spite of the early availability of written submissions, most other members did not know what questions to ask of those who, after making submissions, appeared as witnesses before the Sub-Committee.

Overall, the role of the Chairman is difficult to gauge. As Chairman also of the full Joint Committee and as the senior Government Member who actively participated throughout all but

1 Ibid., p. ii.
2 'Parliamentary Transcript on Aid', passim.
the latter stages of the proceedings, Turner was instrumental in arranging the aid inquiry with the Minister. However, like most other members, he appeared to have a relatively limited knowledge of the subject matter and occasionally demonstrated an inadequate grasp of the submissions. Turner relied heavily on the Sub-Committee's Research Officer, Nancy M. Viviani, who, among other things, prepared precis of many submissions as well as lists of suggested questions which the Chairman put before the various witnesses. With the Chairman apparently less interested in the inquiry than, for example, Opposition member Morrison, it is appropriate to question those factors which may have prompted the Joint Committee to investigate foreign aid. Certainly aid issues were attracting greater public attention during 1971 and 1972, but why was the Sub-Committee made up exclusively of the House of Representatives members of the Joint Committee and how important was it to the Chairman that this was 'the first public inquiry held by a [House of Representatives] Sub-Committee of the Joint Committee on Foreign Affairs'? The evidence would suggest strongly that this was more than a simple inquiry into foreign aid; it was also a political exercise to create a

1 See, for example, Turner's question on the possibility of local procurement of capital equipment in recipient countries. 'Parliamentary Transcript on Aid', p.315.
2 See, for example, Turner's question concerning Australian reservations on acceding to UNCTAD resolutions on the lowering of tariff barriers – Ibid., p.604.
3 Nancy Viviani, a Master of Arts graduate from the Australian National University, was at that time completing her Ph.D. thesis on 'Australian Attitudes and Policies towards Indonesia 1950 to 1965' in the Department of International Relations, ANU. She was not employed as Research Officer until after the public hearings had commenced.
4 See Chapter Nine below.
5 Parliamentary Aid Report, p.iii.
In the same paragraph the inquiry was described as of 'historical importance' and the letter to the Minister accompanying the Report continued:
...the Committee believes that the inquiry has indicated that a public inquiry by a Parliamentary Committee into matters which relate to foreign affairs are [sic] a valuable and natural extension of Parliamentary activity.
precedent for Members of the House or Representatives to undertake public inquiries into foreign affairs issues, in competition with the expanding Senate inquiry system.

Even though questions can be raised about the nature of parliamentary participation in the work of this Sub-Committee, the inquiry was significant for the direct connections which were established between Members of Parliament and non-governmental interest groups. Submissions were received from individuals and organisations drawn from academic, business and voluntary aid agency circles. The impact of the witnesses from these groups who appeared before the Sub-Committee can be gauged from an examination of the conclusions which the Joint Committee reached. In at least half the conclusions there was a considerable coincidence between the views of the Joint Committee and some of the opinions expressed in the various interest group submissions and in segments of oral evidence.¹

Finally, the foreign aid inquiry was of greatest importance for the extent to which public service participation was required. This was the first occasion on which a large volume of departmental information was made publicly available. The Departments of Foreign Affairs, Trade and Industry, the Treasury, Education and Science, Immigration, External Territories and Primary Industry supplied written and oral evidence which ran to 1080 of the 1606 pages of transcript. This evidence was largely descriptive but many aid policy issues did emerge. For the first time in two decades of aid-giving, the departments primarily responsible for foreign aid were subjected to public scrutiny, albeit limited, across the whole range of

¹ Conclusions 3, 4, 5, 10, 11, 13 and 14 strongly reflect different interest group opinions - Compare Parliamentary Aid Report, pp.v-ix, with the submissions appearing in 'Parliamentary Transcript on Aid', pp.813-1057, 1156-1236, 646B-704B, 762B-893B, passim.
activities encompassed by the aid programme.

The public release of this mass of departmental information through the medium of a parliamentary sub-committee may well have had some impact on the Minister for Foreign Affairs. While the aid Sub-Committee was still deliberating, he delivered a major statement on 'Australian Foreign Aid' in the House, and for the first time appended details of specific Country Programmes in the form of statistical and descriptive material covering Australia's past and current aid projects in most recipient countries.¹

The value of the Joint Committee's aid inquiry lay, firstly, in the amount of information which it made available to the public. Being the first public investigation of a programme which had been almost the exclusive preserve of Government departments, it was inevitable that little of what could be described as 'probing examination' could be undertaken. For that reason, the whole question of the political value as opposed to the economic value of Australian aid largely eluded the Sub-Committee,² although a Government controlled Sub-Committee, however well informed, may have been reluctant to pursue such a question in public. Secondly, the inquiry was of value because of the Report it issued. The Report was not tabled in Parliament until after Labor had taken office,³ so that Government was not going to be bound by recommendations prepared by the Joint Committee on Foreign Affairs when under Liberal control. However, the Report was a valuable reference document and will undoubtedly be used as supporting evidence for particular departmental positions being canvassed.⁴

¹ Bowen, Australian Foreign Aid. This statement is examined in Chapter Four, pp.129-131, above.
² See the author's review of the Parliamentary Aid Report, 'Where Have All the Dollars Gone', Development News Digest, Vol. 1, No.5, May 1973, p.3.
⁴ This was the case with regard to public service deliberations over the establishment of the separate Australian Development Assistance Agency in 1973. - Interview with a public servant involved with foreign aid.
Federal ALP policy on foreign aid.

In the early 1950s, Labor Members of Parliament had referred to ALP Federal Conference policy on foreign aid in support of Government policy regarding the establishment of the Colombo Plan. Federal Conference aid policy was also introduced into later speeches which touched on SEATO economic assistance. Throughout the 'fifties and 'sixties, other elements of ALP aid policy were also mentioned in speeches but they did not lead to any significant parliamentary pressure on the Government. Neither the policy on the one per cent aid target,¹ nor that concerning greater economic rather than military involvement in the neighbouring region,² were pursued in any systematic manner in Parliament. However, ALP policy on foreign aid as laid down at the 1971 Federal Conference was to be of greater parliamentary significance. The Platform item on aid adopted at Launceston read as follows:

In accepting the United Nations programme to work towards a national contribution of 1% of gross national product, the Labor Party recognises that the quantity of aid is not the full measure of its effectiveness. In pursuit of a more meaningful aid programme the Labor Party proposes --
(a) to establish an Institute of Development Studies for the overall examination of the problem of social and economic development;
(b) to reorganise the administration of the various Australian aid programmes and to establish a mutual co-operation agency, and
(c) to support an increase in the opportunities for less developed countries to sell their goods.

A Labor Government will be sensitive to the quality of aid and the impact of aid on social values.³

Except for the 1% aid target, to which the Government was never prepared to be committed, all issues included in this policy statement were also incorporated in the 1972

recommendations of the Parliamentary Joint Committee. Furthermore, all the elements of that policy, except the establishment of an Institute of Development Studies, have been implemented by the Labor Government elected in December 1972. Thus, particularly as a result of the change of government, the 1971 Federal Conference policy on foreign aid has assumed a particular significance.

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For the most part, throughout the period under study a bipartisan policy on foreign aid was pursued in Parliament. Government and Opposition were in essential agreement over the political, economic and humanitarian considerations underlying aid policy. Except in relation to aid under SEATO and civil aid to South Viet Nam, the objectives being pursued by the Government were not questioned in Parliament or by any of the major political parties. However, ALP policy on SEATO aid and aid to Viet Nam was closely linked to its general foreign policies regarding those two issues.

To a certain extent, Members of Parliament from both Liberal and Labor parties were concerned in the 1950s about the wastage of aid, but this concern was expressed in a very desultory manner.

The only other aid policy issue of significance was that of emergency aid - to India in 1964 and to the East Pakistani refugees in 1971. In both these cases, the importance of the issue within Parliament was related to the size of the public campaign outside, and the nature of that relationship is explored further in the following chapter. As additional evidence of the bipartisan policy on foreign aid, Members of Parliament who were critical of Government action in this area represented parties on both sides of the House.

Beyond emergency aid, no major foreign aid policy issues emerged in Parliament or among the major political parties. This was largely due to the bipartisan support which foreign aid received, but was also to be expected con-

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1 Parliamentary Aid Report, pp. v, vi, ix.
sidering the limited appreciation most Members had of Australian aid policy or of broader development issues.\textsuperscript{1} Consequently, it must also be concluded that during the period under study neither Parliament nor the political parties have exercised direct influence over the Government's formulation of aid policy. These institutions, however, have played a part in establishing a climate within which the Government, while setting its own specific limits, has felt assured of general support for increasing levels of Australian foreign aid.

\textsuperscript{1} These conclusions are confirmed in a recent study of attitudes - Oliver Mendelsohn, 'Australia's Foreign Aid: The Perceptions of Parliamentarians' (mimeo, [Canberra], 1973), pp. 5, 6, 25-6, 37-8, 43.
CHAPTER NINE

OTHER DOMESTIC OPINION

This chapter explores the way in which foreign aid issues have been approached by other contributors to Australian domestic opinion. Public opinion polls, the press, voluntary aid organisations, the academic community and the business community are the principal institutions or groups on which attention is focused. In the course of this investigation, assessment is also made of the likelihood that any have been able to influence Government policy in this area.

Public opinion polls

The public opinion poll is not a contributor to domestic opinion, but it is an indication of that opinion. With all their limitations, opinion polls have served a useful function in tapping views other than those put forward through organised interest groups.

In the area of foreign policy, Australian governments have at times been rather sensitive to expressions of public opinion, whether they have emerged from opinion polls or from interested organisations and individuals. Early in his term of office as Minister for External Affairs, Casey had this to say about the importance of public opinion:

Among the internal influences on foreign policy, public opinion has a high place. No Government would sanction any action which it felt did not hold public confidence. If it did, it would not remain in office very long. However, it is not sufficient only that policy should be supported by public opinion; public opinion itself should be interested and informed. Unless it is, our room for initiative is limited and we are handicapped from the start.¹

In numerous foreign policy statements, Casey attempted to interest and inform the public about Australia's foreign aid programme. However, it was not until 1964 that Australian Public Opinion Polls (Gallup Polls) regarded foreign aid

¹ Casey, The Conduct of Australia's Foreign Policy, p.5.
as a public issue of sufficient significance to warrant attention. Even then, its first question was not directed towards Australian foreign aid in general but concerned only economic assistance to Indonesia.\(^1\) This question was asked at a time when Australians were expressing considerable concern over the nature of Indonesia's 'confrontation' of Malaysia. The Gallup Poll made no specific reference to 'confrontation', but the timing and specific reference to Indonesia make it clear that it was attitudes on aid to an 'aggressive' neighbour rather than aid in general which were being assessed.

Between 1965 and 1968, four additional polls on aid were taken, three of which involved the specific question of aid to Indonesia.\(^2\) In the 1968-69 Poll, a separate question was also included on the size of the Australian grant to Papua New Guinea, and that same issue was again taken up towards the end of 1971 in relation to the independence of the Territory.\(^3\) Up to 1972, Gallup Polls on aid had concentrated on only a part, though significant part, of Australia's foreign (and territorial) aid programme.

Regarding aid to Indonesia, a significantly larger percentage of people questioned were in favor of maintaining or increasing Australia's commitment in the 'more stable' Suharto period from 1966 onwards. (See Table 7 below).

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1 'Australian Public Opinion Polls' (Gallup Polls), Nos.1789-1803, October-November, 1964.


3 'Australian Public Opinion Polls', No. 2284, August-September 1971.
Table 7
Gallup Polls - Australian Aid to Indonesia

<table>
<thead>
<tr>
<th></th>
<th>November 1964</th>
<th>July 1965</th>
<th>September 1966</th>
<th>October 1968</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current Level of Aid</td>
<td>$1.2m</td>
<td>$1.2m</td>
<td>$1.0m</td>
<td>$6.0m</td>
</tr>
<tr>
<td>Increase</td>
<td>not asked</td>
<td>not asked</td>
<td>13%</td>
<td>23%</td>
</tr>
<tr>
<td>Continue</td>
<td>47%</td>
<td>48%</td>
<td>52%</td>
<td>37%</td>
</tr>
<tr>
<td>Reduce</td>
<td>not asked</td>
<td>not asked</td>
<td>24%</td>
<td>2%</td>
</tr>
<tr>
<td>Stop</td>
<td>40%</td>
<td>38%</td>
<td>not asked</td>
<td>23%</td>
</tr>
<tr>
<td>Undecided</td>
<td>13%</td>
<td>14%</td>
<td>11%</td>
<td>15%</td>
</tr>
</tbody>
</table>

Source: 'Australian Public Opinion Polls' as cited in fns. 1, 2 and 3, p.292 above.

Thus the first major increase in economic aid to Indonesia took place in a climate which, according to the polls, was one of substantial public approval.

The first survey of general public attitudes towards external aid was undertaken early in 1972 by the Australian Sales Research Bureau.1 The results revealed substantial inconsistencies. From Table 8 it is seen that 94% of those interviewed believed that 'Australia should help her own underprivileged poor before thinking about helping people in other countries'.

1 'Age Poll', Age, 10 April 1972, p.8.
<table>
<thead>
<tr>
<th>Statements</th>
<th>Agree strongly %</th>
<th>Agree in part %</th>
<th>Disagree strongly %</th>
<th>Disagree in part %</th>
<th>Don't know %</th>
<th>Total %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia should provide aid to other countries where the need is greatest, regardless of those countries' politics</td>
<td>29</td>
<td>46</td>
<td>10</td>
<td>14</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>Australia should help her own under-privileged poor before thinking about helping people in other countries</td>
<td>74</td>
<td>20</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>100</td>
</tr>
<tr>
<td>Much of the money collected to aid people in other countries never gets to the people who really need it</td>
<td>41</td>
<td>34</td>
<td>10</td>
<td>4</td>
<td>11</td>
<td>100</td>
</tr>
<tr>
<td>It is better to send food and other goods rather than money to countries in need</td>
<td>52</td>
<td>24</td>
<td>11</td>
<td>10</td>
<td>3</td>
<td>100</td>
</tr>
<tr>
<td>Australia's interests would best be served by spending more on defence than by increasing aid to other countries</td>
<td>29</td>
<td>27</td>
<td>19</td>
<td>21</td>
<td>4</td>
<td>100</td>
</tr>
<tr>
<td>Australia should give aid only when the Government considers it would be to our national interest</td>
<td>26</td>
<td>24</td>
<td>18</td>
<td>29</td>
<td>3</td>
<td>100</td>
</tr>
</tbody>
</table>
Table 8

Notes

1 Percentages rounded to nearest figure.

2 Columns should be read across, not down.

Source

Age, 10 April 1972, p.8.
However, accepting that Australia had already started 'thinking about helping people in other countries', 50% agreed that 'Australia should give aid only when the Government considers it would be to our national interest'. At the same time, 75% of those questioned agreed that 'Australia should provide aid to other countries where the need is greatest, regardless of those countries' politics'. In answer to a further question, however, 60% agreed that 'Australia's interests would be best served by spending more on defence rather than by increasing aid to other countries'. Like the response to the 'charity begins at home' statement, this last answer suggests that there were widely held feelings against the provision of foreign aid. But if aid was to be provided, a large proportion agreed it should be provided on the basis of need even though, at the same time, half wished to see 'national interest' criteria used. In the light of such inconsistencies, a government would have been able to claim public approval for almost any aid programme it chose to implement.

Since so few opinion polls on foreign aid were taken, and since the results of those were either inconclusive or of limited application beyond Indonesia, it is inconceivable that they could have influenced Government policy in general. At best, the Government would have been reassured to find that the polls on Indonesia indicated a small majority in favour of continuing aid during 'confrontation', and then a larger majority in favour of continuing and increasing aid after 1966 - the course of action which the Government followed during both periods.

The Press

In the concluding section of his 1969 Roy Milne Memorial Lecture on 'Foreign Affairs and the Australian Press'. Bruce Grant suggested that the press could contribute to the formulation of foreign policy by doing two things. First, it should provide a platform for debate and discussion on foreign policy issues as they arise, and second, it should  

1 Bruce Grant, Foreign Affairs and the Australian Press (Sydney, 1969).
act as a spokesman for society.\textsuperscript{1} In both of these roles, it is important for the press that there should exist an informed, or at least interested, public opinion. Without that, debate would be short-lived and spokesmen would be in little demand. It is therefore in the interests of the press that it should also help create an informed public opinion on foreign policy issues, among others.

In order to assess the extent to which the press has fulfilled these roles in relation to foreign aid, it is first necessary to examine its handling of information about aid, the public debate over aid, and recommendations concerning aid policy.

Information about Australian aid was presented in news item, feature article and editorial form but the quality and quantity of the information so presented has varied markedly. By far the largest amount of information took the form of news items, but in the main, these items merely contained project details, mostly provided by the Department of External Affairs.\textsuperscript{2} Such details, while proving the continuing existence of various projects, provided only factual information and no critical assessment. Within most of the Australian dailies there were a number of feature articles and editorials which did attempt to analyse and evaluate various aspects of aid.\textsuperscript{3} These were valuable attempts to inform

\textsuperscript{1} Ibid., p.18.

\textsuperscript{2} Similar items have regularly appeared in the official periodical \textit{Current Notes on International Affairs}.

\textsuperscript{3} The following editorials or feature articles were notable press contributions: Melbourne \textit{Herald}, 18 March 1959; \textit{Age}, 27 April 1959; Osmar White in the Melbourne \textit{Herald}, 15, 16 & 22 September 1959; Bruce Grant in the \textit{Age}, 20 November 1959; \textit{Sydney Morning Herald}, 19 January 1960; \textit{Age}, 11 July 1960; Peter Samuel in the \textit{Canberra Times}, 27 & 28 January 1965; \textit{West Australian}, 24 June 1966; John Jost, John Larkin and John Tidey in the \textit{Age}, 17, 19 & 20 June 1967; Creighton Burns in the \textit{Age}, 27 November 1967; Bruce Juddery in the \textit{Canberra Times}, 2 September 1970 and 7 September 1971; John Larkin in the \textit{Age}, 24, 25 & 26 April 1972; and \textit{Australian}, 25 September 1972.
domestic opinion, but they were too sporadic to generate a significant debate on broad aid issues.

Since the war there have been two notable exceptions to this generalisation: aid to Indonesia and the effect of 'confrontation', and emergency aid to the Indian sub-continent in 1971.

From 1963 to 1968 much newspaper space was devoted to the Indonesian aid programme. Initially the issue was the continuation of aid at a time when Australia was actively supporting Malaysia over Indonesian 'confrontation'. Following the burning of the British Embassy in Djakarta in September 1963, the Canberra Times made the first of many subsequent suggestions that all Australian aid to Indonesia should be transferred to Malaysia.\(^1\) That suggestion was reiterated on three occasions in the next eight weeks,\(^2\) the argument being enforced by a report that Indonesia was refusing to accept further Australian Colombo Plan aid on the grounds that Canberra was using it to apply political pressure.\(^3\)

In this suggestion, the Canberra Times was supported by the West Australian\(^4\) but was opposed by the Australian Financial Review, the Sydney Mirror, the Age and later by the Courier Mail\(^5\) largely on the grounds that Australia should avoid any action which would alienate its closest, populous neighbour.

As may have been expected from their stand on Australian aid,

\(^1\) Canberra Times, 20 September 1963.


\(^3\) Age, 23 November 1963.

\(^4\) West Australian, 3 October 1963 and 30 November 1963.

\(^5\) Australian Financial Review, 24 September 1963; Mirror, 1 November 1963; Age, 27 November 1963; Courier Mail, 17 August 1964.
the Canberra Times and the West Australian as well as the Sydney Morning Herald commented approvingly on the United States Senate resolution to suspend the much larger and considerably more influential American aid programme in Indonesia.1

Twelve months later during the press debate which followed a major Government defence review in November 1964,2 the Australian insisted that:

Direct channels between Indonesia and Australia through technical and economic aid must be kept open. There will be people in Australia now who will want to end Colombo Plan aid in Indonesia, but they must be rebuffed. We have 203 students under the Colombo Plan in Australia at present and we should increase that number to show that aid is to help underdeveloped countries, not to buy them. In the inevitable political battles over the Government's defence policy the question of continuing foreign aid should not become a partisan issue. For any politician to stir up fear and hatred of Indonesia would be foolishness if not worse.3

The question of continuing aid to Indonesia was raised by a Government backbencher, Sir Wilfrid Kent Hughes, on account of the alleged strategic value of aid projects currently being implemented. For many years Kent Hughes had been one of the Government's strongest right wing critics regarding its policy towards Indonesia,4 and since September 1963 he had been specifically opposed to all aid to Indonesia, expressing his opposition both in Parliament,5 and in the Government party room.6 In December 1964 and January 1965, Kent Hughes had attempted to prevent the shipment of telecommunications

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1 Canberra Times, 9 November 1963; West Australian, 12 November 1963; and Sydney Morning Herald, 12 November 1963.

2 Brief reference to this review was made in Current Notes, Vol.35, No.11 (November 1964), p.44.

3 Australian, 13 November 1964.

4 See Viviani, 'Australian Attitudes and Policies', pp.144, 147.


equipment for civil aviation facilities in Indonesia, equipment which he said many army authorities considered to be strategic material.\(^1\) The *Sydney Morning Herald*, mostly prompted by Indonesia's departure from the United Nations and its more obvious alignment with China, was at that time still opposed to Australia giving any aid\(^2\) but the *Canberra Times*, in a reversal of its previous strong stand, now supported continuing economic assistance.\(^3\) The Brisbane *Courier Mail* responded directly to attacks such as those of Kent Hughes:

> It may seem incongruous that, while Senator Paltridge is examining problems of aid for Malaysia in its struggle against Indonesia, the Australian Ambassador to Indonesia (Mr Keith Shann) has made a statement that there are no plans for Australia to reduce its aid to Indonesia. Yet it is not incongruous. Australia's policy rightly is that every effort should be made to secure the goodwill of our nearest neighbour... A cut-off of aid to Indonesia, even if some of that aid is in a field which has some bearing on defence, would at this stage, do nothing but heighten tension. This is what we should seek to avoid.\(^4\)

The *Sydney Morning Herald* had become the Government's sole newspaper opponent over its policy on aid to Indonesia. Since the policy to continue aid was the result of careful deliberation within the government\(^5\) this level of press opposition was of little consequence.

The October 1965 attempted coup in Djakarta and its subsequent effect on Indonesia's government and foreign policy changed the attitude of the Australian press *vis-a-vis* aid to Indonesia. Within days of the attempted coup, the *Australian* asserted that 'a reduction of communist influence in Djakarta would add to the political acceptability of such a trend [towards closer co-operation] in Canberra'.\(^6\) Just a week later, the *Adelaide News* expressed the sentiments of most other newspaper editorials when it said:

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5. See Chapter Seven, p.246, above.
As the smoke clears in Djakarta, it is evident that there has been a significant change in the balance of internal power in Indonesia. Another major change in the Indonesian sphere recently is the breakaway of Singapore from Malaysia. These changes, too, must affect relationships between Indonesia and her nearest neighbour, Australia. Now is an opportune time for a searching reappraisal of our attitude to Indonesia and an attempt to restore a relationship that had deteriorated sharply. Something more like the earlier policy of neighbourliness, genuine aid, and a real effort to find a basis for co-operation and friendship should be our aim.

In March 1966, when General Suharto was further strengthening his hand, the editorials of all major Australian dailies commented approvingly on the changing political scene and a number suggested that now was the time for Australia to take aid initiatives. Consequently, when Hasluck visited Djakarta in August and offered economic aid to assist industrial recovery, many newspapers reacted favourably to what they regarded as a 'small but practical gesture' of Australian understanding and goodwill.

After 1966, the press was not nearly so vocal on aid to Indonesia; it was as though the debate were over and the Government was being left to continue a publicly approved aid programme.

Press involvement over aid to Indonesia was the first

1 _Adelaide News_, 14 October 1965. Only three editorials were noted as still having reservations regarding the provision of aid while 'confrontation' continued. _Melbourne Herald_, 20 October 1965 and 25 October 1965, and the _West Australian_, 29 April 1966.

2 _Sydney Morning Herald_, 14 March 1966; _Adelaide News_, 14 March 1966; _West Australian_, 14 March 1966; _Hobart Mercury_, 16 March 1966; and _Age_, 21 March 1966.

exception to the generalisation that newspapers did not act as a significant forum for debate of foreign aid issues; the second exception was the press debate over emergency aid to East Pakistani refugees in the period preceding the breakaway of Bangladesh from Pakistan in 1971.

On 25 May 1971, an Australia-wide voluntary appeal for $1 million was launched, and two days later the Government announced its first emergency grant of $500,000 to help alleviate the plight of the millions of East Pakistani refugees in India. Up to that time, the press had not made any editorial appeals for Australian aid to India. Over the next two to three weeks, however, criticism of the Government by officials of voluntary aid agencies began to mount and both the *Sydney Morning Herald* and the *Australian* came out in specific support of a voluntary aid agency (Community Aid Abroad and AUSTCARE) appeal for a $5 million Government grant. Even though the Government announced a second grant of $500,000 on 8 June, the *Age* adopted a very critical stance and, as well as making specific attacks on the way in which the aid was being handled, asserted

If the Prime Minister reads or listens to the news he must have been aware for several days that he was lagging behind the wishes of the Australian people to bring urgent help to the starving and cholera-ridden millions of refugees in West Bengal. Faced by a major human catastrophe in which many thousands of human lives were at stake, both Mr McMahon and his Foreign Minister (Mr Bury) have shown themselves parsimonious, unsympathetic and inept. 

...A fully alerted public was anxious to do something useful, but it has been restrained by a government which was unimaginitive, even uninterested.

John Stubbs in the *Sydney Morning Herald* made the same point about the strength of the response of Australians to the tragedy in the Indian sub-continent, and indicated that this

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1 *Age*, 26 May 1971. This public campaign is discussed at greater length in the section on voluntary aid organisations, PP. 314-6 below.


3 *Age*, 10 June 1971.
response ought to have been constructively channelled and not regarded as an embarrassment by the Government.¹

It could not be said, however, that newspapers were playing a leading role in the campaign to have the emergency aid grants increased. After waning a little in July, the public campaign built up again in August and September with the appearance of people prepared to fast for the cause, and with the publication through the press of a petition in support of Bangladesh, but throughout those three months editorial comment was conspicuously lacking. Only when the public campaign continued to snowball in October did the newspapers again rally. The Australian, for example, commented in its leading article:

...the more the Government's actions in the matter are examined, the more obvious it becomes that it has misjudged entirely how deep the concern is of ordinary Australians and how much their consciences have been stirred.²

It then went on to add its support to a suggestion that the Government grant $1 per head of the Australian population. Other newspapers followed suit but the amounts suggested varied from the Australian's $12 million or so, to $6 million, in the Age, while the Hobart Mercury and the Brisbane Courier Mail simply pressed for 'more'.³ There was no agreement in the press concerning the proposed size of Australia's commitment.

The campaign for more aid reached its climax on 26 October with a large public demonstration in front of Parliament House in Canberra. On the same day, Cabinet decided to make a fifth grant of $2.5 million, thereby bringing the total to $5.5 million, and with that, the campaign for refugee aid virtually came to an end.

The two aid issues which have been examined differed in important respects. During the period 1963 to 1966, the

¹ Sydney Morning Herald, 11 June 1971.
² Australian, 15 October 1971.
³ Age, 18 October 1971; Mercury, 25 October 1971; Courier Mail, 26 October 1971.
press debate over aid to Indonesia was very much subsidiary to the major foreign policy question of 'confrontation' and Australia's relations with Indonesia and Malaysia. In 1971, however, the question of emergency aid for the East Pakistani refugees was more clearly a foreign aid issue in its own right.

In both cases the press reflected wide-spread Australian responses: before October 1965 the press was divided but from late 1966 it uniformly advocated increased aid to Indonesia; in 1971 it presented a united front in its appeals for more aid but it was divided over the amount to which Australia should be committed.

Thus on these two isolated occasions, not only did the press help to create an informed public and provide a forum for debate, but it also acted as spokesman, in Bruce Grant's sense, when public consensus existed. After 1966, regarding aid to Indonesia, and in 1971, regarding aid for the refugees, the press was unanimous on the need for increased aid but the recommendations were not sufficiently specific to substantiate an assessment that the press was able to exercise direct influence over Government policy. However, as for the role of public opinion polls, the press helped create a climate in which the Government would have been encouraged to continue aid increases.

Voluntary foreign aid organisations

Voluntary foreign aid organisations in Australia vary markedly in the length of time for which they have existed, in the objectives which they have pursued and in the administrative structures which they have adopted. Most but not all of these organisations have been primarily concerned to transmit funds overseas as private Australian contributions to non-governmental development projects. Only a few have taken an interest in the size and quality of the official Australian foreign aid programme. But the organisations with which this

1 For a detailed study of these organisations see R.J. Henry 'A Study of the Voluntary Foreign Aid Movement in Australia' (M.A. thesis, La Trobe University, Bundoora, August 1970).
study is concerned had official overseas aid as a common interest, and throughout the 'sixties the number which took up a public position in relation to the Government's aid programme slowly increased.

During the 1950s, little concern was expressed by the then existing voluntary aid agencies for the foreign aid programme which the Government had introduced. In that period, national committees linked with the Australian Council of Churches (ACC) raised with the Prime Minister the question of wheat for relief purposes,¹ but no other aid issues of consequence were initiated.

The nature of the Australian voluntary aid movement began to change in the early 1960s in response to United Nations initiatives. In 1960 the Freedom from Hunger Campaign (FFHC) was established in Australia on Food and Agricultural Organisation (FAO) initiative,² and in 1961 the World Refugee Year appeal was undertaken in response to a call from the United Nations High Commissioner for Refugees, and AUSCAR, the forerunner to Australian Care for Refugees (AUSTCARE), was set up.³ In addition to international initiatives being involved, these new organisations were significant because a much wider cross-section of the Australian community was now involved with overseas aid. Over one hundred national organisations were invited to attend the inaugural FFHC meeting.⁴ AUSCAR also drew on the same wide group of organisations for support. Furthermore, FFHC was not intended as simply a relief organisation; it was concerned to help stimulate food production, and saw its function as being the education of the Australian public on the broad issues involved, as well as fund raising to support projects overseas.⁵

Changes were also occurring within other established voluntary aid agencies during that period. In 1962, the

¹ Henry, 'The Voluntary Foreign Aid Movement', p.153; ACC, 'Prime Minister - Council Approached', file P40. See also Henry 'The Voluntary Foreign Aid Movement', pp.9-12 and 14-19 for the early history of the ACC national committees.
² Ibid., p.36.
³ Ibid., pp.37, 38.
⁴ Ibid., pp.36-37.
⁵ Ibid., p.36.
Victorian-based Food for Peace Campaign acquired a new Director, David Scott, a new name, Community Aid Abroad (CAA), and a new orientation. CAA was still to be concerned with people-to-people voluntary aid projects, but after returning from India earlier that year, Scott had realised that government-to-government action was essential and therefore attention should also be focused on the official Australian aid programme. From that time onwards, Scott and the monthly CAA newsheet *NOW!* gave increasing attention to aspects of government aid policy. In his first six months as Director, Scott became involved in numerous discussions in the community on Australia's national contributions to underdeveloped countries, and he was prompted both to write to, and call on, the Minister for External Affairs, Sir Garfield Barwick, pointing out the growing public interest in aid, and the arguments — humanitarian, political and commercial — for increasing official foreign aid. One per cent of gross national income, Scott had suggested, was a realistic aid target. This was one of the earlier occasions on which the 'one per cent' slogan was used on account of the development needs of the less-developed nations of the world.

In mid 1959, *NOW!* had carried an article by Denis Warner which suggested that part of Australian foreign policy should be the adoption of the one per cent target for aid as recommended by Barbara Ward. That target had also been used in World Council of Churches circles, and in 1960 was incorporated in a set of recommendations which the Australian Council of Churches forwarded to the Prime Minister and various other Ministers, and which was also used in an ACC deputation on aid to Barwick, who later became Minister for External Affairs, and Senator Gorton, who was at that time assisting the

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1 Mr D. Scott, interview, Melbourne, 12 January 1972.
3 The one per cent target may have originated with the Australian, Sir Douglas Copland, when he was President of the Economic and Social Council of the United Nations in the mid 'fifties. — A.A. Calwell, 'Introduction' to a Special Issue in honour of Sir Douglas Copland, *Economic Record*, Vol.36, No.73 (March 1960), p.3.
Prime Minister with the External Affairs portfolio.\(^1\)

By 1962, both the ACC and CAA had raised the one per cent target with the Government, but Scott felt it should be CAA policy to stimulate wider public interest in the development issues raised by such an aid target. For that reason, he initiated the formation of a CAA Foreign Aid Study Group\(^2\) comprising a small group of academics from Melbourne and Monash Universities, and in 1963 the group produced *One Per Cent: The Case For Greater Australian Foreign Aid*.\(^3\) Four hundred copies of the booklet were distributed to Members of Parliament and business, church and trade union organisations. The CAA Executive suggested that CAA groups should approach their Members of Parliament to ascertain the Government's views and reactions to the subject matter of the booklet, and also that they should write letters to the editor of the *Age* to air the issues.

Until 1963, voluntary aid leaders had relied on personal contact with the Government and spoken to community groups on the importance of official foreign aid. The publication of *One Per Cent* was a more conscious attempt at public education, and it initiated a protracted and unco-ordinated campaign which continued throughout the 'sixties, in many forms and with many different, and not just voluntary aid, proponents, to convince the Government of the need for increasing aid appropriations.

This campaign does not appear to have had identifiable effects on Government aid policy but it did contribute to the generally favourable climate within which the Government continued to increase the absolute value of its aid allocation.

In 1964, a campaign of a different kind began to grow. In July a 'Wheat for India Campaign Committee' set out to gather signatures on a petition which urged the Australian Government to provide a gift of 1 million tons of wheat in response to increasing food shortages in India. This petition was politically motivated in that it was designed as an attack on the Government's policy of wheat sales to China, and was not

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2 CAA file, 13 August 1962.

primarily concerned with Indian famine relief. However, regardless of the domestic political considerations involved in this particular campaign, it did contribute to the level of public awareness of the Indian crisis and it helped to establish the 1 million ton rallying target.

Also in July 1964, an 'Australia/India Society' was formed in Victoria for the purpose, among other things, of organising assistance for development projects in India. People associated with this society initiated two further campaigns - the Milk for India Campaign which continued for a number of years, and the Aid for India Campaign which was launched in November at a public meeting attended by more than two thousand. As well as making a public appeal for powdered milk, the Aid for India Campaign also pressed on the Government the need for official emergency grants of milk powder and longer-term supplies of food.

Towards the end of January 1965, the Government received a public request from the Indian Government for 1 million tons of wheat to be used as a buffer stock to inhibit speculation in any future food shortages. It was public knowledge at that time that Australia had a 2 million ton wheat surplus from a record harvest. Allan Fraser, Chairman of the Labor Party's Foreign Affairs Committee, stated that Australia should accede to India's request. A week later the Canberra Times ran a

1 Henry, 'The Voluntary Foreign Aid Movement', pp.50, 102-5.
2 Ibid., p.104.
3 Ibid., pp.49, 104-5; Age, 24 November 1966, p.13.
4 NOW!, No.133, February 1965, p.5; Canberra Times, 2 February 1965, p.2.
5 Canberra Times, 22 January 1965. During the previous three months India had been suggesting through diplomatic channels that Australia might provide this amount of wheat. For a discussion of the circumstances in which these diplomatic negotiations were taking place see Mediansky, 'Australia's Relations with India', pp.293-299.
6 Canberra Times, 22 January 1965.
7 Canberra Times, 25 January 1965. Within a few days, however, Fraser retracted his statement when he realised the cost of that aid ($52 million) in comparison with Australia's current Colombo Plan aid to India (approximately $1 million). - Canberra Times, 28 January 1965, p.2.
feature article which surveyed the responses of voluntary agencies to the Indian crisis and concluded by pointing out the Government's refusal to recognise the urgency of the situation in the face of 'such a groundswell of public opinion and drive as is now spreading across Victoria'.

This 'groundswell of public opinion' was not entirely based on humanitarian considerations. The Sino-Indian conflict of the early 1960s had not been forgotten. A Canberra Times editorial gave a number of reasons why India deserved to do better from Australian aid. It described India as one of the few examples of those ex-colonial countries which have retained a democratic and constitutional government since independence, but one which was now threatened by crop failures, food strikes, violence and Communist party stirrings. It continued:

...our interest and ideals are closer to those of India than of any other country in our part of the world. India was shaken rudely out of the naiveties of a moralising foreign posture by the Chinese and has responded magnificently to the challenge. An imaginative estimate of our strategic interests and big-hearted compassion both dictate that we should respond to this request with magnanimity.

While the public campaign for 1 million tons continued, Cabinet, in February, considered the provision of 150,000 tons of wheat on non-commercial terms. Hasluck's case in Cabinet was based on a number of considerations: democratic government in India was being threatened as a result of the food shortages; the political impact of this aid would be greater than that of a normal Australian aid project in India; and this wheat contribution would assist India's development and security - a general objective of the Australian Government. In addition, the strength of the public campaign had been recognised within the Department of External Affairs but that consideration was only briefly mentioned among others. In

1 Rohan Rivett in the Canberra Times, 2 February 1965, p.2.
2 Canberra Times, 26 January 1965, p.2.
3 Age, 19 February 1965, p.4; Mediansky, 'Australia's Relations with India', p.299.
4 These various considerations were drawn from official sources and listed in Ibid.
announcing the Government's decision to provide 150,000 tons of wheat as a gift, Menzies simply explained that it was in response to an urgent appeal for assistance to meet a critical pre-harvest shortage in India caused by unexpected delays in the arrival of imported supplies. And as the Age report concluded:

Sir Robert said that he was sure that the gift of wheat would meet with the warm approval of the Australian people, who had shown a keen interest in and desire to help the Indian people in their present difficulties.¹

No mention was made of the earlier request for 1 million tons of wheat.² But with the announcement of the 150,000 ton gift, the impetus of the public campaign to encourage official aid to India largely disappeared. When crises again occurred during 1966, the Government responded with two similar $8 million wheat gifts, and there was no comparable public campaign.

The 1964-65 campaign over emergency aid to India was very different from the longer-term campaign to encourage the Government to devote 1% of the national income to foreign aid. Emergency aid appealed to the emotions, and the immediate solution, in this case food, was easily grasped. Despite the simplicity of the slogan, the 1% campaign was not able to rouse the same public interest.

Sir John Crawford, a prominent economist in both academic and government circles, had that longer-term 1% campaign, among other things, in mind when he became involved with the voluntary aid organisations in late 1963 and 1964.³ In part,

¹ Age, 19 February 1965, p.4.
² The Government's silence over the 1 million tons request was reported to have been due to urgings of caution from the Treasury and the Department of Trade and Industry. The Minister for Trade and Industry wanted to ensure that Australia, as a major food producer, did not bear a disproportionate share of food aid programmes (Age, 23 February 1965, p.2) - an issue which Australia continually raised in international wheat negotiations.
³ It was not until September 1965 that the Minister for External Affairs announced that Australia could not accede to the request for 1 million tons of wheat. - Current Notes, Vol. 36, No.9 (September 1965), p.603.
³ Henry, 'The Voluntary Foreign Aid Movement', pp.74, 84, 147; CAA Executive Minutes, 22 October 1963, p.3.
Crawford hoped that the creation of organised public support would promote an Australian aid policy that was not only humanitarian but was also, he believed, ultimately in Australia's own interest...[To that end, he was concerned] to discover the extent to which there was an existing base of support for increased foreign aid... At best he had only hoped for a popular adjunct, which he described as an 'electorate' to the efforts of intellectuals and politicians to further foreign aid.¹

Crawford initiated exploratory meetings which drew together the voluntary aid agencies, but initially the attention of these groups was focused only on the 'expansion of non-governmental foreign aid and overseas service activities'.²

These exploratory meetings led to the establishment of the Australian Council for Overseas Aid (ACFOA) in April 1965, and both its programme and constitution included sections which foreshadowed the sort of pressure group activity in relation

¹ Henry, 'The Voluntary Foreign Aid Movement', p.74. Henry's description of this aspect of Crawford's position was confirmed in an interview with Sir John Crawford, Canberra, 16 January 1974.

² CAA Executive Minutes, 22 October 1963, p.3; Henry, 'The Voluntary Foreign Aid Movement', p.75.
to official foreign aid which Crawford initially had in mind.\(^1\)
However, this minor emphasis among the purposes of the
Council was very much the work of a small number of individuals
who already recognised the importance of persuading governments
to act. Not surprisingly that group included men associated
with those agencies which had already stated views on government
aid policy – Scott (CAA), J.B. Webb (Overseas Service Bureau,

\(^1\) The purposes of the Council were listed in its constitution
as follows:
(i) To provide for consultation and co-operation between
members concerning their work at home and abroad;
(ii) To provide for consultation and co-operation with
the Commonwealth and State Governments and the U.N. and
its specialised agencies in the field of overseas aid,
both at home and abroad.
(iii) To represent the interests of members and to make
common representations on their behalf to the Commonwealth
and State Governments, governments overseas, the U.N.
and its specialised agencies, and to other domestic and
international organisations.
(iv) To enter into formal arrangements with Governments
within Australia and overseas and international or other
agencies for the investigation or furtherance of activities
within the purposes of the Council.
(v) To bring the needs for, and the purposes and
results of, overseas aid before member organisations, the
Australian community and Governments.
(vi) To prepare and disseminate information on aid
activities and issues of development, including refugee
and migrant service, and related activities.
(vii) To provide information concerning projects within
the ambit of the Council's interests to member
organisations and other approved bodies.
(ix) To develop relationships with the International
Council of Voluntary Agencies and with councils with
similar aims in other countries.

- ACFOA, 'Correspondence file, Crawford Papers'.
Clauses (ii), (iii) and (v) provided, among other things,
for ACFOA action regarding official foreign aid. See also
an ACFOA paper entitled 'Its Objectives and Relationships
with Government' (mimeo., March 1966), in CAA file,
'ACFOA 1967'.

and with CAA links) and H.L. Perkins (ACC) - and these three also came to hold executive positions in the newly formed organisation.\(^1\) Thus to an important extent, early ACFOA policy on official foreign aid reflected the views of particular agencies. Some six years later, the then Honorary Secretary of the Council, W.V. Hinton, considered that CAA, the ACC and Australian Catholic Relief (ACR, formed in 1968) were the only three agencies which had anything approaching a policy concerning official overseas aid. The others, he said, were just coming to realise that this was important.\(^2\) For that reason, ACFOA was rather hamstrung in its endeavours to exert co-ordinated pressure on the Government. The Government was fully aware that ACFOA recommendations on official aid policy did not always have the active support of all of the member organisations. The Department of External Affairs had been involved with Crawford in the preparation of preliminary documents relating to the formation of ACFOA,\(^3\) and was represented at the constitutive meeting\(^4\) and subsequent Council Meetings.\(^5\) The Department therefore appreciated the limited extent of well-informed opinion on official foreign aid within ACFOA. Consequently that undermined the Council's influence on official aid policy.

Other negative factors affected ACFOA's relations with the Government. In 1967-68, its co-operation with the Government over the co-ordination and encouragement of civil aid to South Viet Nam was very half-hearted, to say the least, even though the Council was functioning largely by means of a $16,000 government grant which was provided for that specific purpose.\(^6\) ACFOA had agreed to establish an Aid to Vietnam

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\(^1\) ACFOA, Minutes of the first Council Meeting, 14 & 15 March 1966, in CAA file 'ACFOA 1967'.

\(^2\) Interview with Mr W.V. Hinton, Sydney, 21 May 1971.

\(^3\) Henry, 'The Voluntary Foreign Aid Movement', p.77.

\(^4\) Ibid., p.85.

\(^5\) ACFOA Council Minutes from March 1966.

\(^6\) Henry, 'The Voluntary Foreign Aid Movement', pp.108-114. Initially the Government provided a grant of $2000 per year for expenses. In 1967, the grant was increased to $18,000 but in subsequent years, a reduced grant of $16,000 was made available.
Committee Secretariat to facilitate the provision of voluntary aid, and after sending a Government supported team to Viet Nam, recommendations concerning official civil aid projects were also made. The projects recommended were not adopted by the Government, seemingly because they were not in accord with official policy on civil aid to Viet Nam at that time; the Council was reluctant to provide unqualified political support for the Government in relation to Viet Nam. Furthermore, at the time at which the Aid to Vietnam scheme was being initiated, two important members of ACFOA - Red Cross and the ACC - clashed publicly with the Government over the question of voluntary aid to North Viet Nam, undermining the force of legislation restricting such aid which the Government had implemented. As a result of these issues, it could hardly be said that a sympathetic climate had been created for ACFOA influence on official aid policy.

Until the East Pakistani refugee crisis in 1971, ACFOA co-ordination of voluntary aid organisation activity, even in the sphere of emergency aid, had not been particularly effective but on this occasion a number of the agencies were successful in developing a significant campaign for more aid. As compared with the response to the Indian famine of 1964–65, more of the voluntary aid organisations took up the cause directly and there was much wider public involvement. At a very early stage, the refugee-oriented agency AUSTCARE launched an Australia-wide voluntary appeal for $1 million, and followed that with a call to the Government to raise official aid from $500,000 to $5 million. That call was repeated in a publicised CAA telegram to Prime Minister McMahon, and Australian Catholic Relief and one of the ACC

1 See Chapter Eight, p.279 above.
4 Reference to some aspects of this campaign has already been made in the section on the press above at pp.302-3.
5 Age, 26 May 1971, p.4.
6 Sydney Morning Herald, 3 June 1971.
Divisions urged in a joint letter to the *Age* that the Government make further substantial grants as opportunities arose.¹ Later in the campaign, the efforts of the voluntary aid organisations were also complemented by the activities of Support Bangla Desh committees which were formed in Canberra, Melbourne and Sydney, committees which effectively disseminated information on the East Pakistan situation. Considerable public interest and sympathy were aroused as a result of hunger vigils in Melbourne, Canberra and Sydney, but there was also public awareness of the political implications of the Pakistan situation where the refugees were victims of military regression which had nullified the outcome of democratic elections.²

The campaign to aid the East Pakistani refugees included the writing of 20,000 letters to the Prime Minister, the Minister for Foreign Affairs and other Members of Parliament,³ as well as the regular presentation of petitions to Parliament calling for increased aid,⁴ and finally culminated in a large 2,000 strong public demonstration on the lawns in front of Parliament House, Canberra. While Cabinet was actually considering further aid, the demonstrators were urging the Government to raise the $3 million committed so far to $10 million. The next day, the Government announced that it would make its fifth contribution, this time $2,500,000, thus bringing the total to $5.5 million - the level which AUSTCARE and CAA had pressed for initially.

While a number of the voluntary aid agencies played a central role in this campaign, other sources of support were very much in evidence. The press took an active part and did not simply act in a reporting capacity. The Support Bangla

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¹ *Age*, 9 June 1971, p.9.

² An advertisement in the *Australian*, 11 September 1971, which was supported by more than 300 academics and others, began:

We are convinced

1. That the brutal actions of the Pakistan Army in East Bengal since March, have made it impossible for Pakistan to survive on the basis of its 1947 borders, except by the sustained oppression of 70 million Bengalis.

³ *Age*, 27 October 1971, p.12.

⁴ *Australian*, 14 October 1971, p.1; see also *Commonwealth Parliamentary Debates* from 5 October to 9 December 1971 for the many petitions presented.
Desh committees were also prominent, particularly in academic circles. In addition, considerable parliamentary debate was engendered primarily through the activities of Reid, the Liberal Member for Holt. Both inside and outside Parliament, Reid was a persistent advocate for $10 million worth of emergency assistance from Australia, and was particularly critical of the performance of his own Party in Government.

In addition, international influences were significant. The British relief organisation OXFAM, for example, was in close contact with Community Aid Abroad. United Nations agencies were also very active with appeals for more aid being issued by the Secretary General and the High Commissioner for Refugees during May, June, July, August and October. An examination of the respective timings of United Nations appeals and Australian Government aid announcements suggests that United Nations influence may have been significant in at least three of the five grants made. There is little doubt, however, that the voluntary aid organisations were largely responsible for the creation of a climate in Australia within which the Government was encouraged to make increasing grants for East Pakistani refugee assistance.

On the occasion of the Canberra demonstration over refugee assistance, the most recently formed voluntary aid organisation, Action for World Development (AWD), was involved in direct lobbying of members of the Government. The AWD team, led by Roman Catholic Archbishop James Gleeson and Anglican Bishop David Garnsey, had approached the Minister for Foreign Affairs and the Treasurer to press for a $10 million grant as well as stronger diplomatic initiatives in the search

2 See Chapter Eight, pp.280-2, above.
3 *Age*, 23 August 1971, p.5.
for a lasting solution to the Pakistan conflict.\footnote{Age, 27 October 1971, p.12.} This concern for both refugee relief and political justice in Pakistan was to typify the approach of AWD towards development issues.

Following the launching in 1968 of a world-wide programme in support of co-operation for development, the Australian Council of Churches and the Roman Catholic Church's National Commission on Justice and Peace formed a Joint Secretariat on Action for World Development in 1970.\footnote{Action for World Development, \textit{Rich and Poor Nations} (Sydney, n.d.), preface.} AWD was not intended as a fund raising organisation. In the words of the original proposal which came from the 1970 exploratory conference, the function of the Joint Secretariat would be to plan and to implement a programme for the education of public opinion and for the awakening of the Christian conscience on the responsibility of all Australians for world development and in particular to make international development a public and political issue.\footnote{Action for World Development, \textit{Challenge to Action} (Sydney, n.d.), p.18.}

The starting point for most other voluntary aid organisations was fund raising; their existence was dependent on the voluntary contributions they attracted. Some were faced with the paradox that political action over development issues, including official foreign aid, could antagonise traditional contributors. AWD was maintained by a three-year grant from the two sponsoring bodies, and therefore had the freedom to focus on public education and political involvement in the cause of world development.

To that end, in July and August 1972, AWD ran a national study campaign involving more than 120,000 people in small groups throughout the nation.\footnote{Action for World Development, \textit{DEED}, No.7/72, '1972 Campaign Report', p.3.} The discussion series began with the nature of the world development problem - primarily the discrepancies between rich and poor nations - and led on to the personal and political action which individuals could
undertake. In the political sphere, suggestions were offered as to possible action in relation to the total quantity of Australian foreign aid, and to Australia's trade policies which affected developing countries.

The impact of this campaign on the Government was quite marked. The Department of Foreign Affairs was inundated with letters asking for information about aspects of the Australian programme or urging that the aid programme be expanded. The Department of Trade received numerous letters from the public requesting information about Australia's position at the Third United Nation's Conference on Trade and Development (UNCTAD III). Another outcome of the AWD campaign was that Members of Parliament from all over the nation were asked about their views on aid and trade issues affecting less-developed countries. In addition, these issues were the subject of numerous petitions to Parliament. In a statement on Australian foreign aid in the House in September, the Foreign Minister acknowledged the increasing level of public awareness:

In fact, I believe that this [creation of informed opinion on aid questions] is happening already and is, in part at least, a reflection of the growth in the past year of the awareness of many Australians of the problems of the developing countries and of their importance to Australia. I have seen evidence of this growing public interest and discussion of foreign aid matters. The Government welcomes this development.

Action for World Development, with its major emphasis on development education, undertook its national study campaign at a time when other voluntary aid agencies were recognising the need to upgrade their own development education programmes as opposed to just fund-raising publicity. The ACC, CAA and

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1 Interview with Foreign Affairs official.
3 Petitions appealing for more aid, and for aid and trade policies which would be of greater assistance to less-developed countries were presented on every sitting day between 15 August 1972 and 26 October 1972 - CPD, Vol. H of R 79, 80 and 81, passim.
World University Service in Australia were three of the sponsors of International Development Action (initially formed in 1970 as Student Involvement for Development) which aimed to be "a national organisation with a "development education" programme in secondary schools and tertiary institutions".¹ The Freedom From Hunger Campaign in 1971 embarked on the preparation of resource material on development issues for high schools, basing their publication, *Development Dilemma*,² on a book produced by the United Nations Food and Agricultural Organisation. And in 1971, all ACFOA members supported the creation of a position of Education Officer for the Council who, among other functions, was responsible for the publication of a new bimonthly journal, *Development News Digest*. The public education campaign on development issues, including the nature of the Government's aid and trade policies, began to be intensified in the early 'seventies. In 1972, seven of the thirty ACFOA members,³ as well as the Council itself, presented submissions on official aid to the Parliamentary Joint Committee on Foreign Affairs.

Since the early 'sixties, some leaders of the voluntary aid organisations had expressed concern over the nation's official aid programme. However, not until 1966 after the Australian Council for Overseas Aid had been formed, was there a concerted attempt to develop policies on official foreign aid. In the later 'sixties some agencies increasingly made more statements about the official programme but these reflected the views of leaders more than the widespread views of members. Consequently the voluntary aid organisations were more involved in educating their own membership and the public at large than trying to influence Government policy. Emergency aid was the exception to the generalisation that the leaders of these organisations were in advance of their members; in 1964 and more so in 1971, many of the members were directly involved in

¹ From the International Development Action letter-head.
³ These were CAA, United Nations Association of Australia, AUSTCARE, the Australian National Committee for UNICEF, AWD, FFHC, and ACR.- Not all of these bodies were asked to give evidence in public.
mustering public support for more emergency relief assistance. These were emotional issues with apparently simple solutions; there was also evidence that many Australians were particularly sympathetic to the problems and needs of people living in the Indian sub-continent.

The contribution which the voluntary aid organisations made was significant not because of any identifiable influence which they were able to exert on the Government but because of the potential scope for wide-ranging political activity which they began to develop in the early 'seventies. They were able to reach both down and up in the political process: some attempted to educate their members and public opinion about foreign aid issues; some undertook public campaigns to influence the Government; and some developed informal contacts among officials and Government Ministers. It is in these three areas of education, campaign and contact that the voluntary aid organisations were beginning to be involved with official foreign aid policy.
The academic community

When examining the extent and nature of Australian academic interest in foreign aid, a distinction should be made between the majority who have simply written articles on aid over the years and the minority who have written on aid and consciously participated in the political process at one level or another. The majority have certainly contributed to the body of knowledge in Australia on foreign aid but, in the main, these contributions have lacked continuity and nothing approaching what might be termed a 'sub-discipline' of foreign aid has emerged. ¹

Many of the articles on foreign aid were unlikely to have influenced official policy for a variety of reasons. Sometimes the author was well known but the issues were not treated in sufficient depth² or the article did not appear in a sufficiently widely read journal³ for the contribution.

¹ The same cannot be said of academic research in relation to Australian aid to Papua New Guinea but, for two reasons, this research has been of little relevance to the more general foreign aid inquiry. First, studies on Papua New Guinea have focused on the overall development of the Territory and not on territorial aid as a separate area of inquiry. Second, and obviously related to the first, there has been no overlap of consequence between studies of territorial aid and studies of foreign aid. The debate during 1968–69 between R.G. Crocombe, and H.W. Arndt, R.T. Shand and E.K. Fisk in New Guinea (Vol.3, No.4 (December 1968-January 1969), pp.57–70; Vol.4, No.2 (June-July 1969), pp.54–71) over the direction of development in Papua New Guinea, was not directly integrated into foreign aid studies, even though similar issues were raised later in relation to Australian foreign aid. (See, for example, Rex Mortimer (ed.), Showcase State (Sydney, 1973).) For these reasons, research on the development of Papua New Guinea has not been included in this examination of Australian foreign aid research.

² See, for example, W. Macmahon Ball, Australia's role in Asia, 18th Roy Milne Memorial Lecture (Melbourne, 1967).

³ See, for example, A. Clunies Ross 'Economic Aid - A Proposal for a Policy', Crux, No.4 (August-September 1962) and S.H. Cornish and N.S. Narayanan, 'Australian Foreign Aid', Economic Activity in Western Australia, Vol.7, No.3 (July 1964).
to have made much impact. Other contributions, made on the basis of personal involvement in the aid programme, have been published in journals which would not easily come to mind as repositories for analyses of aid issues. Some useful dissertations have been written, but they are not easily accessible. Finally, a number of works have concentrated not on Australian but general international aid issues. Had there existed within Australia a more integrated body of foreign aid research, these internationally oriented works could have constituted something of a benchmark against which Australian foreign aid could have been assessed. As it was, these isolated theoretical pieces appeared to be only of limited value.

The disconnected nature of Australian research into foreign aid becomes even more apparent when the forty or so articles written by better known academics or appearing in journals which give a wider coverage to foreign affairs issues are examined. Scholars have obviously been keener to demonstrate their familiarity with the overseas literature than with Australian research. Rarely were more than one or two references made to the works of Australian academics. For the most part, it appears as though foreign aid has not been taken seriously enough for scholars to acknowledge that their thoughts on aid could benefit from reference to other Australian studies.

1 See, for example, S. Posen, 'The Asian Undergraduate in Australia', Medical Journal of Australia, No.2 (1968).


4 The principal journals here are Australian Outlook, Australia's Neighbours, Australian Quarterly and the Economic Record.
These relatively more important articles highlight a number of other features of the academic treatment of foreign aid since Australia began its programme. First, very little research was undertaken during the 1950s. This can be attributed partly to the fact that the Colombo Plan, the principal scheme, at that time involved an annual expenditure of less than $10 million and attracted little public attention. In addition, the debate over economic development in less-developed countries at the United Nations and similar international bodies did not become significant until the turn of the decade. Second, as the number of studies of foreign aid issues began to increase in the early to mid 'sixties, the work of economists (or scholars in related disciplines) was predominant; few students of politics or international relations considered it worthwhile to examine aid issues. Third, the great majority of scholars accepted, either explicitly or implicitly, the framework of, and assumptions underlying, official foreign aid policy. It was accepted that foreign aid donors such as Australia took into account a number of considerations including a humanitarian concern for those in developing countries as well as a desire for diplomatic and commercial advantages. It was also accepted that foreign aid could make only a small but nevertheless important contribution to economic development.

While the impact of the majority can be represented in this way, there have been a small number of individuals who have stood out, for different reasons. Some have been conspicuous because they have demonstrated that they have more than a transient interest in foreign aid; others raised issues which were of direct relevance to the official aid programme;

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1 See below for a discussion of the exceptions to this generalisation.

others, yet again, raised issues which, although little recognised, are nevertheless distinctive features of an otherwise colourless literature on aid.

Creighton L. Burns, Senior Lecturer in Political Science at Melbourne University from 1954 to 1962, wrote on the Colombo Plan in the 1950s. Although his journal contributions did not continue during the 'sixties, his influence is discernable in *Age* editorials on aid throughout that decade. Burns, in 1960, questioned the correlation between 'economic development' and 'political stability' in Australian Government statements of objectives. In his view, the assumption that 'economic development is the basis of political stability' was unfounded, particularly in the light of nineteenth century European experience of industrialisation. Burns asserted that

political and social changes of a radical, if not revolutionary nature are themselves necessary prerequisites for economic development in many Asian countries...It is unlikely that a political elite based on a landed aristocracy or an unattached intelligentsia will have either the incentive or the ability to provide the political leadership necessary for rapid industrial development.

As it was originally developed, the Colombo Plan rested on the belief that external economic aid was politically justified because it would act as a political tranquilliser for the area. But if it is the case that substantial political and social changes will have to precede or accompany economic development, then the Colombo Plan donors cannot reasonably hope that their contributions to economic growth in South and South-East Asia will produce political systems which are initially more stable.1

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Burns' contribution, however, did not prompt his colleagues to question the relationship between economic development and political stability; what they did frequently criticise was the meagreness of Australian foreign aid.

The 1963 publication of One Per Cent by Anthony Clunies Ross and other academics was a significant landmark in the campaign for more aid. Clunies Ross had first shown his interest in the subject in an article written for a limited circulation university-based journal in 1962. In 1967 he contributed to the Current Affairs Bulletin, and in 1973 an updated version of that article was published in a volume of readings on the Australian economy. Clunies Ross was involved in preparing material which was for both public and academic circulation in an attempt to develop the awareness of Australians regarding official foreign aid. The introduction to One Per Cent makes that objective particularly clear.

Although Clunies Ross was by no means solely responsible for One Per Cent, the booklet deserves comment at this point.

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1 D.C. Corbett in an unpublished paper ('Australian Aid in South and South-East Asia', Australian National University in conjunction with the Australian Institute of International Affairs (mimeo., 17 June 1965)) examined the political implications of Australian foreign aid, but concentrated more on the question of 'political development' than 'political stability' in recipient countries.

2 'Economic Aid - A Proposal for a Policy', Crux (the journal of the Australian Student Christian Movement), No.4 (August-September 1962).


5 Clunies Ross, One Per Cent, p.ix.

6 The Members of the research group, as listed in the preface, were:
M.M. Bayne, Economic Geography Department, University of Melbourne,
C.L. Burns, Political Science Department, University of Melbourne,
A.I. Clunies Ross, Economics Department, Monash University,
R.I. Downing, Ritchie Professor of Economic Research, University of Melbourne,
D.H. Scott, Community Aid Abroad, Melbourne,
W.A. Sinclair, Economics Department, Monash University,
R. Kent Wilson, Economic Geography Department, University of Melbourne.
because of the way it presented the Government with 'the case for greater Australian foreign aid'.¹ The booklet was carefully structured (as a glance at the chapter headings shows²) and competently argued within the accepted framework of official aid policy. The reasons advanced for greatly increasing foreign aid could have been taken directly from ministerial policy statements. In summary, they were as follows:

1. There are people in dire need and we have the means to assist them...
2. Foreign aid may make international cooperation easier...
3. There is a hope that economic development in non-Communist Asia will favour political stability, and peaceful change...
4. Another reason is economic. Australia must continue to sell abroad, and probably increase its sales, if its economy is not to be radically reconstituted, possibly with a fall in living standards.

And finally, under the heading 'Trigger effect':

If one country openly accepts the principle of giving one per cent of income for foreign aid, others may well follow.³

Perhaps one or two qualifications are a little more in evidence than in official pronouncements: Burns' influence as a member of the group is certainly noticeable in the cautious expression of the reason involving political stability. But the Government could not have taken exception to any of these statements and would therefore have been unable to dismiss the case outlined as irrelevant.

Without access to official documents, it is impossible to

¹ The sub-title of the booklet.
² Chapter I World Poverty
   II Economic Development
   III Foreign aid in economic development
   IV Channels for foreign aid
   V Australia and New Guinea
   VI Why should Australia increase its aid expenditures?
   VII Target for Australia
   VIII Other policy proposals
   IX The Cost of greater aid
   X Apparent objections
³ Clunies Ross, One Per Cent, pp.26-30.
assess the direct impact which such a document made on politicians or officials.\(^1\) Certainly in 1964/65, foreign aid did not increase by the $60 million figure advocated. The one per cent target was never officially accepted by the Government because such a target did not adequately take account of the qualitative difference between aid which was provided as outright grants (the Australian practice) and aid which included private investment in less-developed countries. However, \textit{One Per Cent} most likely made an important contribution to the combined pressures, both domestic and international (principally United Nations agencies) which operated on the Government and at least encouraged increasing aid allocations when other donors were exhibiting flagging interest.

Sir John Crawford was another economist who made an important but rather different contribution to the consideration of foreign aid in Australia. Before he moved to the Australian National University, Crawford had been Secretary of the Commonwealth Department of Trade and consequently, after 1960, he still had personal access to the upper echelons of the bureaucracy and was in a good position to act as a significant link between academic and official circles.

In his public lectures relating to foreign aid, Crawford concentrated on the nature of the problem - world poverty - to which economic aid was directed, rather than on aid \textit{per se}.\(^2\) But arising from his work on world poverty, he had developed a strong conviction that Australia should be doing more in the aid field. Speaking of economic assistance in his 1961 Roy Milne Memorial Lecture, he said:

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1. Even with access to official documents that might still be a difficult exercise.

2. See, for example, 'World Factors That Must Influence Australian Policy', an address to the 32nd Annual Summer School, University of Western Australia, 16 January 1960, typescript notes; \textit{International Aspects of Feeding Six Billion People}, 12th Roy Milne Memorial Lecture (Melbourne, 1961); 'The Malthusian Spectre in India', Presidential Address to the 40th Congress of ANZAAS, Christchurch, 24 January 1968.
I personally doubt whether we [in Australia] are yet pulling our full weight and doubt whether we yet realise the magnitude of the task ahead...

[Economic] progress is difficult and is bound to be slow at first; yet it is imperative. A vital factor in progress is aid in many forms, from more advanced nations of which Australia is not the least important. Whether from humanitarian or economic motives or from a neither unreasonable nor unreasoning exposition of political self-interest or from all three motives together, it seems to me that Australia has to enlarge its already vigorous role: for its stake in the welfare of Asia is a large one indeed.¹

In 1960, Crawford had elaborated a little on some of the political considerations behind Western assistance to one particular developing country - India:

All governments must respond to the challenge of poverty in their own countries yet failure and frustration breeds demagoguery and invites political disintegration. This is what makes the comparison of India and China so important. Both have to industrialise, both must raise agricultural productivity. The former is trying to do it through democratic planning; the latter by authoritarian control...The challenge to the West is to enable India and others to break out of poverty under systems which retain basic freedoms of thought and action.²

This was a theme which was to reappear in some newspaper editorials and speeches in Parliament when emergency food aid to India was at issue.

Crawford's attitude towards development in India was only one aspect of a total rationale for economic assistance which led to his becoming something of an academic 'activist'. In 1961 and 1962 Crawford was instrumental in attracting Ford Foundation funds to the Australian National University to facilitate research into Australia's aid programme.³ In 1963,

² Crawford, 'World Factors', pp.9,10.
³ Australian National University, file 14.1.4.4, 'Ford Foundation'. This research focused on Australian-trained overseas students, Australian aid experts, and Australian supported Colombo Plan projects. Some of the results of that research are discussed at pp.332-3 below.
partly with the intention of building up public support for increased official foreign aid, he initiated discussions which led to the formation of the Australian Council for Overseas Aid (ACFOA). While involved with drafting the ACFOA Constitution, Crawford worked closely with the Department of External Affairs, thereby facilitating future communication between voluntary aid organisations and the Government. Furthermore, he became the first President of ACFOA in 1965, and retained that position until 1974.

Crawford was also prepared to become personally involved in an aspect of the aid programme. In 1968 and 1969, on the initiative of the Department of External Affairs, Crawford, representing the Australian Vice-Chancellors' Committee, and K. C. O. Shann (Head of the Division responsible for External Aid) held discussions which renewed Departmental initiatives of 1962 and which led to the formation of the Australian-Asian Universities Co-operation Scheme (AAUCS). The scheme utilised funds provided by the Government (initially $100,000 and increasing to $230,000 for 1972/73) to train academic staff in Indonesia, Malaysia and Singapore, and was administered by a Standing Committee, chaired by Crawford, which was appointed by, and responsible to, the Australian Vice-Chancellors' Committee. In these various ways Crawford played an influential role in relation to Australian foreign aid.

Professor Heinz Arndt, in 1964, began to occupy a prominent position among academics interested in foreign aid, and, over the period of this study, was the most consistent contributor to the growing body of literature. His essays

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1 See above, p.313.
4 Department of Foreign Affairs, Estimates 1972-73 (mimeo.), p.81
ranged from a general treatment of aid policy,¹ to the problems of justification facing official aid personnel who are 'servants of the public',² and to a more detailed examination of Australian aid to Indonesia.³ Furthermore, Arndt has been involved in discussion aid issues in business circles,⁴ among voluntary aid agencies,⁵ and on numerous occasions with Government officials.

In all his writings, Arndt did not question, in principle, official assumptions concerning the role of aid in economic development, in trade promotion and in diplomacy. In his Joseph Fisher Memorial Lecture in 1964, he said:

...comparing Australia's present foreign aid policy with the principles I discussed earlier in this lecture, I do not feel that there is much seriously wrong with the forms or directions of Australian aid.⁶

However, on that and later occasions, he made many suggestions as to ways in which the programme could be improved.

In common with other academics, Arndt had advocated at different times that Australia's total aid effort should be substantially increased, that a larger proportion should be


⁵ In August 1970, for example, Arndt addressed an ACFOA seminar, organised in conjunction with the Annual Meeting of the Council, on 'Creating a climate for overseas aid'. For a summary of that address see N. Minogue, 'Report of Seminar organised by Australian Council for Overseas Aid in August 1970', (mimeo, 22 September 1970).

⁶ 'Australian Foreign Aid Policy', p.145.
channelled through multilateral aid agencies, and that the administration of the programme should be significantly upgraded. However, he stands out firstly as an advocate of stronger links between foreign aid and export promotion as well as private overseas investment. All scholars who listed Australia's reasons for providing economic aid acknowledged that aid was, or could be, to the economic advantage of the donor; Arndt, however, positively advocated this element. In 1964, after indicating the importance of providing expanded export opportunities for developing countries, he said:

In turn, Australia should not be backward or mealy-mouthed about linking aid in some measure to her own trading interests. Aid in kind, soft loans, technical assistance - all these can be of genuine help to the developing countries and at the same time assist Australian manufactures in overcoming the difficulties in breaking into new export markets in competition with the major overseas industrial countries.  

More specifically, in 1970 he suggested that the balance of payments assistance to Indonesia (Bonus Export or BE aid) could be used to promote a proportionate expenditure by Indonesian importers on commercial transactions outside the aid scheme. Arndt also believed that Australian private investment in developing countries could be encouraged in ways which could be to the mutual advantage of both investor and host country. To that end, at the 1969 ACFOA conference on joint ventures and investment, he put forward the idea that it might be possible for some Australian aid to be used as minority equity participation in private overseas investment projects, with that equity in time being transferred to the developing country. In 1970 he

1 See, for example, Ibid., and 'Australian Economic Aid to Indonesia', pp. 134-5.
2 'Australian Foreign Aid Policy', p.147.
3 'Australian Economic Aid to Indonesia', p.132, fn. 16.
4 See, for example, his particular views in relation to Indonesia in 'The Indonesian Economy', p.227, and 'Australian Economic Aid to Indonesia', p.139.
5 ACFOA, The Australian Role in Joint Ventures, p.45.
spoke of the possibility of a closer relationship between Australian aid and private investment overseas under certain circumstances, and in his *Australian Outlook* article of that same year, he wrote approvingly of the 'marriage of official aid and private investment' which was taking place in connection with the Tjilatjap industrial estate project. Generally speaking, the Department of External Affairs did not rate export promotion at all highly, but in 1970 a spokesman at the ACFOA seminar acknowledged that there might be opportunities for closer co-operation between government aid and private investment in developing countries.

Secondly, Arndt stands out as a central figure in the evaluation of Australian foreign aid which Crawford initiated in the early 'sixties. This research programme, financed by the Ford Foundation, focused on overseas students, technical exports and the politics of aid, with Daphne M. Keats, A. H. Boxer and D. C. Corbett, respectively, being responsible for each area. These studies, together with the research undertaken by Mary C. Hodgkin, constituted the only broad assessments of the effectiveness of Australian foreign aid in recipient countries, and as such it was Arndt's hope that they would be useful to those in the public service responsible for aid planning and administration.

It is difficult to assess the impact of Boxer and Keats on the aid programme except in the broadest terms. Boxer was heavily critical of the limited departmental resources devoted

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2 'Australian Economic Aid to Indonesia', p.139.
3 See Chapter Four above.
6 Corbett's study entitled 'Aid and Bureaucracy' is only available in draft form from the author or from the Department of International Relations, Australian National University.
7 *Australian Training and Asian Living* (Nedlands, 1966), and *The Innovators* (Sydney, 1972).
to aid policy and administration. His views would have contributed to the pressures which gave rise to the expansion of the Aid Branch establishment in 1966/67 and later years. But whereas Boxer in his concluding chapter made this and a number of other recommendations regarding many aspects of the total aid programme, Keats concentrated on the student training scheme, of which she generally approved. Except in the case of technical training, she did not investigate whether foreign aid should be used to train students in their home country or in foreign institutions - the major issue in educational aid policy in the late 'sixties and early 'seventies.  

Whereas Arndt, Crawford and Clunies Ross were all primarily concerned, as economists with the economic impact of aid in recipient countries, in the late 'sixties, P. J. Eldridge, a political scientist, began to explore the political implications of aid, from both the recipient and the donor point of view. Eldridge is the only Australian academic to date who has made foreign aid the subject of his major continuing research effort. His contribution, coming at the end of the period under study, cannot be expected to have made any discernible impact on government policy or the broader political process but it forms part of an emerging trend in the Australian aid literature.

1 See Chapter Seven, pp. 238-40, above.
3 Eldridge's Ph.D. research led to the publication of The Politics of Foreign Aid in India (London, 1969), and since then he has been undertaking research on Australian aid to Indonesia, and has published 'Australian Aid to Indonesia: Diplomacy or Development', Australian Outlook, Vol.25, No.2 (August 1971), pp. 141-158.
Eldridge was one of the first of a small number of academics who began to question seriously the assumptions behind Australian aid policy. He drew particular attention to the relative importance of the various factors which went into the formulation of aid policy. After defining the development process as one which involves a continuing and highly intricate search to integrate social, cultural, technological, economic, administrative and political variables in ways that produce a sustained and effective improvement in the living standards of the people, Eldridge examined the administration of aid both in Canberra and Indonesia and concluded that 'the conscious philosophy behind the aid programme to Indonesia appears to be predominantly "diplomatic" rather than "developmental"'. He made out a case for a shift in emphasis from diplomatic to developmental considerations, that is, for a more effective integration of Australian aid into the Indonesian development process in a manner which called for 'participation' rather than simply 'aid-giving' or 'project assistance'. In so doing, Eldridge made it clear that this would involve only the same kind of interference in Indonesian domestic affairs as takes place under the existing aid programme.

Three other academics, D. Evans (an economist), R. Mortimer and H. Feith (both political scientists), have also questioned current thinking on the nature of development in the Third World, and Australia's role in that process.

1 Ibid., p.141
2 Ibid., p.158
3 Ibid., p.142
4 As Eldridge explained:
   ...when considering the policy options open to Australia, it must be realised that any country offering economic assistance is necessarily involved, whether consciously or unconsciously, in assisting certain patterns of social and economic development as against others. The belief, whether real or expedient, that it is possible to remain neutral and uninvolved in this process and simply to register the recipient country's own choices might usefully be termed the "diplomatic" approach. Whilst this may indicate a commendable respect for other people's national sovereignty, if social and economic choices cannot in fact be avoided [by donors], it is surely better that such choices be made consciously rather than by default.
   - Ibid., pp.143-4.
Evans argued that Australian policies towards developing countries were both explicitly and implicitly 'promoting capitalist development' and were thereby imposing or assisting in the imposition of systems which 'cannot satisfy the aspirations and needs of the vast majority of people in the developing countries discussed'.¹ Both Mortimer and Feith² rejected what they categorised as the 'growth of Gross National Product (GNP)' or the 'World Bank' approach to development and raised issues regarding the distribution of wealth, and employment. Both seriously questioned the current state of political and economic development in Indonesia from the point of view of the mass of the people. Both stressed the importance of national self-reliance and advocated development policies which took greater account of the needs and development potential of the great majority of rural Indonesians. In their writings, these three scholars have rejected rather than modified the currently accepted philosophy on the function of Australian foreign aid. This debate over the process of development and the role of aid has not yet been joined by other academics but a new dimension, with some important implications for official aid policy, has been added to the aid literature in Australia.

This brief survey of academic interest in Australian foreign aid policy has indicated that not even the increasing amount of research undertaken since the early 'sixties has led to an integrated literature on aid. Scholars, who have been predominantly economists, have in the main not questioned official statements of the considerations involved and the objectives pursued in aid policy but they have been concerned to evaluate the effectiveness of aid in promoting economic

development. In the period under study, Australian academics almost universally advocated increasing the level of aid which Australia provided; until 1972-73, no case had been made for not giving aid.\(^1\) Thus this survey has indicated that while academics have frequently proposed modifications to the way in which Australian foreign aid has been used in pursuit of economic development in less-developed countries, they have only very infrequently sought to analyse the other 'higher level' objectives of aid involving Australian political and economic advantages.

The private business community.

There is no doubt that some Australian business interests benefit from the official aid programme, these benefits ranging from direct aid-financed exports to the indirect creation of a favourable investment climate in countries receiving aid. At this point, however, 'what must be determined...is whether this advantage is obtained accidentally or whether it results from an ability to influence the programme'.\(^2\) Has the business community been active concerning foreign aid? If so, what is the nature of its involvement and has it had any discernible effect on the evolution of the aid programme?

Over the first fifteen years of the programme there is very little evidence to suggest that private business interests were much concerned. Occasionally there were piecemeal requests channelled through Parliament for the inclusion of a particular product in aid schemes. In 1955 it was suggested that a Colombo Plan shipment of dried fruits to Asia

\(^1\) In addition to the works of Evans, Mortimer and Feith which fundamentally questioned the purposes of Australian aid, reference should also be made to E. K. Fisk and Maree Tait, 'The Problems of Aid: A Case for Giving Less?', *New Guinea*, Vol.7, No.2 (June-July 1972), pp. 36-49. Although this article is concerned only with Australia's territorial aid to Papua New Guinea, it will have direct implications for Australian foreign aid after the Territory gains its independence.

\(^2\) Buckley, 'Australia's Foreign Aid Programme', p.88.
would open up new markets and assist an ailing industry, and in the next year, a question was raised concerning the incorporation of wheat surpluses in the programme. In the 1960s, the views of primary producers were sought in the preparation of World Food Programme lists of available products, but it is not known whether these producers ever took the initiative over the inclusion of particular commodities.

In the mid 1960s, broader business interest in foreign aid began to develop. In 1965, R. W. C. Anderson, Director of the Associated Chamber of Manufactures of Australia (ACMA), advocated that Australia should shoulder 'a greater responsibility in granting aid', and recommended the incorporation in its aid programme of tied loans which would be particularly appropriate because of the long-term need to develop new export markets in the face of an uncertain balance of payments situation.

Twelve months later, Anderson again urged that the Government should institute a tied loans scheme under its foreign aid programme. On this occasion, he added the suggestion that it could involve $200 million over a ten-year period to cover 'term loans...to specially nominated countries with export potential for Australia'.

Australia had never included loans in its foreign aid programme, but the position taken by ACMA (in other contexts

1 CPD, Vol. H of R 8, 4 October 1955, pp.1168-9, referred to in Burns, 'The Colombo Plan and Australian Foreign Policy', p.41
2 CPD, Vol. H of R 13, 18 October 1956, pp.1674-5 as referred to in Ibid.
Buckley suggested that there have been similar requests concerning the use of egg powder, dairy products, wool and wool processing machinery and for stud animals, but he supplied no supporting evidence - 'Australia's Foreign Aid Programme', pp. 91-2.
3 The World Food Programme and Australian aid has been discussed above in Chapter Six at pp. 202-7.
4 Age, 20 January 1965, p.11.
5 Age, 18 January 1966, p.3.
a particularly influential organisation) would undoubtedly have encouraged the Government's receptiveness to the suggestion of the International Monetary Fund and the Indonesian Government that Australia should participate in the Bonus Export aid scheme to Indonesia from 1967. That scheme, though based on grants, not loans, involved Indonesian purchases of Australian raw materials and manufactured goods, and therefore contained an important export promotion element - the basic consideration behind the ACMA proposals.

Private business initiative was essential for the operation of the BE (later DK) aid scheme. The BE commodity list for Australia was initially submitted by the Indonesian Government but since then many additions were made by means of consultations between the Australian and Indonesian Governments. In that process, the Department of Trade received representations from industry on the kind of goods that should be included in the list, and by 1972 it had become, in the words of an official from Trade and Industry, 'a pretty comprehensive one. There is not much that is not on it'. Australian private initiative may also be involved in the selection process at the Indonesian end. The list is compiled on the basis of tariff items by product types and not brands. For this reason, the Australian Metal Trades Export Group (AMTEG), in setting out points for Australian exporters to note, reminded them that

Transactions being channelled through the credit foreign exchange (D.K.) system involving use of Australian Aid are essentially of a commercial nature and normal commercial considerations such as price, quality and delivery time are of prime importance.

1 See a profile on Anderson by Bruce Juddery, Canberra Times, 27 November 1968.
2 The BE aid scheme is discussed in Chapter Seven, pp. 246-53, above.
3 Interview with a Foreign Affairs official.
4 'Parliamentary Transcript on Aid', pp. 544-5.
5 See Department of Trade and Industry, Aid to Indonesia, Devisa Kredit (D.K.) List.
To participate under the aid scheme Australian exporters may need to bring their products to the attention of Indonesian importers. The Department of Trade and Industry and the Trade Commissioner in Djakarta will assist in this regard. However, a personal visit to Indonesia is strongly advised...¹

The importance of this Australian commercial initiative also was acknowledged by the Department of Trade and Industry, which stated, in its July 1971 Background Paper on Indonesia:

In effect, aid under the B.E. system had to be "sold" because the importer made a commercial decision whether he would purchase with his own rupiahs that particular foreign exchange. Therefore, companies who were seeking to supply their products through aid had to "sell" the product to an importer in the ordinary way and in doing so established links for normal commercial transactions in the future.²

The utilisation of Australian DK aid thus has been primarily dependent on private export sales promotion by Australians within the Indonesian market, except in the case of single supplier commodities such as wheat, purchases initiated by the Indonesian Government, or imports initiated by Indonesian companies which were linked to Australian firms by direct investment or through multinational corporations.³

It is also apparent that there have been attempts by Australian industries to have specific capital goods included as part of Australian project aid to Indonesia, but the process is much more indirect than in the case of the DK aid system.

F. C. Michell, a member of the Export Development Council

¹ Australian Metal Trades Export Group (sponsored by the Metal Trades Industry Association of Australia), AMTEG'S Information Service (June/July 1970), pp. 18-19. See also Creighton Burns as reported in NOW! (November 1968), p.7.
² Department of Trade and Industry, A Background Paper on Australia/Indonesia Trade, p.10.
³ For example, P. T. Udatimex in collaboration with General Motors was importing Completely Knocked Down (CKD) packs of motor vehicles from GMH Australia (See AMTEG's Information Service (December 1970/January 1971), p.33.); and Goodyear Djakarta imported tyres and rollers and rings from Goodyear Australia. 'Parliamentary Transcript on Aid', p. 537.
(EDC)\(^1\) and chairman of a firm of consulting engineers operating in Indonesia, indicated to the 1972 Parliamentary Sub-Committee on Foreign Aid that in the course of business discussions he had been approached by Indonesian firms for project aid, and, as he explained, his standard answer was always:

You must go back to your own government first to consult the list of priorities of the requirements of your nation. You, yourself, must go to work very hard to see if you can raise that power station from being number 15 on the priority list up to number 1 or 2 on the list. Then your government can approach the Australian government [sic] in Djakarta with a recommendation that they would like aid on this project, and it will go through to Canberra in the normal process.\(^2\)

In 1972 the Australian Department of Trade and Industry acknowledged even more specifically that exporter initiative could be involved in aid requests, and offered additional advice:

Australian exporters should appreciate that, although they can stimulate requests for their products within an Indonesian Department, they cannot be sure that:

(i) the request will be approved by the Indonesian authorities.
(ii) Australia will be able to meet the request under the Aid Programme, or
(iii) their company will receive the contract when tenders for supply are considered in Australia.\(^3\)

Many business contacts have developed between Australia and Indonesia during the last few years of the period under

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1 The Export Development Council was a semi-official Council of businessmen, established by the Department of Trade in 1958.
2 Ibid., p. 783.
At the same time, an increasing number of businessmen have been active in attempting to arrange the supply of goods through the aid programme. However, the success of these attempts could only be evaluated by means of detailed studies of particular aid projects, a task which is beyond the scope of this thesis.

There is considerable justification for focusing on Indonesia to examine the incidence of private business initiatives in utilising the official aid programme for export promotion. Indonesia was the only developing country with which Australia conducted a sizable aid scheme (the DK aid scheme) which was operated largely within the business sector of the two countries involved. Also, by 1971/72, the project aid component of all Australian aid to Indonesia had reached $2.7 million, that being of the same order of magnitude as the project aid component granted to Thailand, Viet Nam and Malaysia together. For these reasons, the Indonesian aid programme has attracted the most interest within the business community.

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1 This is evidenced by conferences which have been held in Australia, namely ACFOA, 'The Australian Role in Joint Ventures and Investment in Developing Countries of Asia and the Pacific', 1969; Australian National University, 'Australia and Indonesia', 1970; Australian National University Centre for Continuing Education, 'Indonesia: Trading Partner', 1971; and the inaugural conference of the Australia/Indonesia Business Cooperation Committee, 'Mengenal Indonesia', 1972; as well as the rapidly increasing number of business visitors to Djakarta, the 1971 Australian Trade Display in that city, and the 1971 Trade Mission which visited Djakarta, Bandung, Surabaja and Medan. See Department of Trade and Industry, A Background Paper on Australia/Indonesia Trade, pp. 12-13.

2 Bowen, Australian Foreign Aid, pp. 29, 31, 36, 38-39. For capital goods export purposes, these figures are not directly applicable because they cover both experts and equipment costs. However as this breakdown was not provided by the Department of Foreign Affairs, the total project aid figure (including both Colombo Plan and SEATO projects which were similar in kind) suffices as an indicator of potential interest on the part of Australian businessmen.
While commercial and industrial concerns were involved individually in some elements of the Australian aid programme, they were also able to express a co-ordinated approach to foreign aid through the Export Development Council (EDC). From its inception in 1958 that body had advocated using aid more as a trade promotion instrument.¹ In 1967/68 it prepared a comprehensive submission on Australia's aid programme² which was forwarded to the Departments of Trade and Industry and External Affairs. This submission included eight recommendations on aid, in the following areas: more active participation with recipients in the selection of aid projects; the tying of multilateral aid as far as practicable; the desirability of tied loans within the aid programme; means of encouraging private investment overseas; the introduction of an advisory committee concerned with management training and advice; the increased utilisation of Australian consultants; an increasing concentration on projects completely undertaken within the Australian aid programme; and wherever possible the use, as aid, of goods with export potential.³ Some of these issues were to be further pursued through different channels over the next few years.

A Trade Mission to Indonesia in April 1971 included a Consultants' Group sponsored by the Australian Professional Consultants' Council and led by F. C. Michell. In their report, the Consultants' Group recommended, among other things, that 'the Australian Government should establish an expert panel, including experienced businessmen, to advise and consult on aid matters'.⁵ Furthermore, the Consultants suggested nine areas for future aid projects⁶ and also advocated that Australian consultants should be used by the Government.

¹ Interview with Mr E.P. McClintock, Sydney, 6 May 1974.
² Export Development Council, 'Panel 14 - Australia's Aid Programme: Report to the Council' (mimeo., n.d.).
³ Ibid., pp. 3-5.
⁴ Michell was chairman of an export group for consultants - 'Parliamentary Transcript on Aid', p.804B.
⁶ Ibid., p.18.
in a variety of different ways. In particular,

...aid in the form of consulting services should be given as the Government's contribution towards specific projects where funds are obtained from banking and finance sources outside Australia.¹

As had been pointed out earlier in the report:

Considerable benefit can be gained by Australian industry from commissions awarded Australian consultants. For example, an order of Australian pumps for a mining installation or power station could involve more than three times the cost of the initial sale in spares over, say, the 20 years' life of the units.²

These three suggestions regarding the establishment of an advisory panel, a 'shopping list' of aid projects and the use of consultants were all put forward by the Export Development Council in its written and oral evidence before the Parliamentary Sub-Committee on Foreign Aid in 1972.³ In addition, the Council stressed the importance of the establishment of an 'interface' or link between the private enterprise sector in Australia, and recipient countries. In its view, the foreign aid programme should be designed in such a way that these links - institutionalised, regular contacts between Australian businessmen and businessmen or officials in recipient countries - are created and maintained.⁴ The Council was also concerned about the difficulties experienced by Australian businessmen when competing with other donor countries for aid projects which were financed by

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¹ Ibid., p.19.
² Ibid., p.12.
³ 'Parliamentary Transcript on Aid', pp. 768B, 775B-778B. Regarding the use of consultants in the aid programme, F.C.Michell, as one of the two spokesmen for the EDC, explained to the Sub-Committee that an Australian consultant normally writes his specifications around Australian goods because he knows them best, and you find that the supply or the export of manufactured goods is of the order of 8 or 10 times the value of the consultant's commission.
⁴ Ibid., pp. 763B, 765B, 768B, 769B, 778B.
bodies such as the World Bank or the Asian Development Bank. To that end, it was suggested that surveys or feasibility studies sponsored under the Australian aid programme would provide industrial 'intelligence' of likely projects, thus giving Australians the competitive advantage needed.\(^1\) The assumption was that as Australian firms became involved in more aid projects, a direct trade 'flow-on' would occur.

In addition to the connection between foreign aid and commercial exports discussed above, there is also the connection between aid and investment which the Export Development Council raised in its 1967/68 submission; this connection was promoted more actively in the last two or three years of the period under study. Direct private overseas investment in developing countries was not encouraged by the Australian Government until the establishment, in 1965, of an overseas investment insurance scheme administered by the Export Payments Insurance Corporation (EPIC). In 1968, Arndt commented that 'direct investment abroad is still a novel experience for Australian business firms'.\(^2\) By 1970/71 Australian direct private investment in Asian and South Pacific countries (excluding Papua-New Guinea) was still only approximately $8 million per annum.\(^3\) Again, Indonesia was the country most referred to when private business interests appealed for foreign aid assistance for the promotion of overseas investment.

One type of link between aid and investment was demonstrated by the Australian and Indonesian Manufacturing and Trading Organisation (AIMTO Pty. Ltd., formed in 1969 on the initiative of a group of Western Australian companies) which arranged the upgrading of support facilities, under the Australian aid programme, for their Tjilatjap industrial estate project.\(^4\) Although the Indonesian Government rejected

\(^1\) Ibid., pp. 790B-791B.
\(^2\) Arndt, 'The Indonesian Economy', p.227.
\(^3\) Parliamentary Aid Report, Table 11, p.94.
\(^4\) For descriptions of the Tjilatjap project see Eldridge, 'Australian Aid to Indonesia', pp. 146-7; Department of Foreign Affairs, 'Australian Aid to Indonesia', July 1972, annex, pp. 2-3.
the project in February 1973\textsuperscript{1}, AIMTO had been successful in achieving an expenditure of Australian aid funds without which their project could not even have proceeded to the final stage of detailed planning. The key to the venture was the development of a first-class port\textsuperscript{2} and as foreign investment in Indonesia was not permitted in the field of harbour and port installations,\textsuperscript{3} AIMTO depended on the upgrading of the port being accepted as an Australian aid project. This project, though in a more limited form than that proposed by AIMTO, was accepted by the Australian Government.

A second and more direct link between aid and investment was suggested on two isolated occasions. At the 1969 ACFOA conference on joint ventures and investment, J. B. Reid, the Deputy Chairman of James Hardie Asbestos Ltd., advocated that foreign aid to Indonesia should be used in part to directly support, or at least guarantee, smaller Australian private investment ventures.\textsuperscript{4} This was also taken up and developed by Arndt in his summary paper to the same conference.\textsuperscript{5} Two years later it was again suggested, this time in a paper by Robert G. Miller, of the Ford Company, to the 'Indonesia: Trading Partner' Conference at the Australian National University, that aid could be made available for financing the import of capital equipment and raw materials by Australian investment ventures in Indonesia. Miller also suggested that technical assistance and management education for such ventures could be directly financed from aid funds.\textsuperscript{6}

\textsuperscript{4} ACFOA, \textit{Australia's Role}, p.34.
\textsuperscript{5} Ibid., p.45.
But, to the end of the period under study, this form of direct link between aid and investment did not attract widespread attention and there was no sign that the Government was giving it serious consideration.

To summarise, primary producers have, in a minor way, attempted to have surpluses used in the aid programme but once the World Food Programme was established they were provided with easy access to foreign aid outlets, provided their products were in demand. Therefore, after 1963, there was little point in further pressure being applied on the Government. The interest of secondary industry in foreign aid did not begin to build up until 1966-67, even though the Export Development Council had earlier expressed views on the nature of the aid programme. Co-ordinated approaches to the Government were stepped up with the Export Development Council submission of 1967/68. Over the next few years, Indonesia, by then the major recipient of Australian bilateral aid, became the principal focus of attention. This suggests that aid programmes to other countries were either not large enough or not as appropriately designed as the DK aid scheme for significant business involvement and initiative. Thus for most of the period under study, commercial advantages were accidental.\(^1\) Towards the end of the period, business initiatives began to increase and the Government made cautious moves towards using private consultants and associating aid with private investment. However, the Government was not prepared to formalise a relationship with the business community by establishing the proposed business advisory council on aid.

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All of the domestic institutions or organisations examined began to be more concerned about official foreign aid from the mid'sixties. This growing interest can be attributed to

\(^1\) Accidental in the sense stipulated at the beginning of this section on the business community. See above, p.336.
an increasing awareness of development issues in the international arena, brought about by some academics and voluntary aid organisations. The issue of aid to Indonesia in the mid 'sixties must be seen in the context of 'confrontation'; in the press debate (and no other public institution was involved in a major way), aid was subsidiary to the broader foreign policy issue of Australia's relations with Indonesia and Malaysia. The business community became involved in the Indonesian aid programme later in the decade, and was concerned to increase Australian trade and investment opportunities in the design of that programme. Emergency aid to India and East Pakistan were major public issues involving the press, the voluntary aid agencies and some academics. The emotional appeal of these issues was very strong and in addition they were seen to touch cultural and political sympathies which some Australians held for people in the Indian sub-continent. More complex issues have not emerged in domestic opinion on aid except as a result of a specific educational campaign undertaken by one of the voluntary aid organisations in 1972. Australians have not been well-informed on foreign aid, despite attempts by the press, the voluntary aid agencies and some academics to raise the level of public awareness of the issues involved.
CONCLUSION

Australia's new policy of providing foreign aid to assist economic development in other countries was announced by the recently elected Liberal-Country Party Government in 1950. The bilateral aid programme which gradually took shape, at first consisted only of technical assistance (the provision of experts, and student training in Australia) involving a commitment of $7 million over three years from 1 July 1950, under the British Commonwealth Technical Co-operation Scheme which was later incorporated into the Colombo Plan for Co-operative Economic Development in South and South-East Asia. The major capital assistance component of the Colombo Plan was inaugurated on 1 July 1951 with Australia having accepted a $62.5 million commitment over the proposed six-year duration of the scheme. As it happened, the Australian aid programme moved more slowly than anticipated and bilateral grants amounting to only $45 million (out of $69.5 million committed) were made under the Colombo Plan to 1956/57. During the early years of the Plan, the major proportion of Australian aid went to the three Asian foundation members - India, Pakistan and Ceylon.

Also included in Australia’s overall aid programme from 1950 were small grants made to the multilateral United Nations agencies, in a direct continuation of policy established by the Labor Government during the previous decade. Over the six years to 1955/56, these grants averaged almost $2 million annually, an amount that was increased approximately four-fold during following years when subscriptions were paid to the World Bank and associated institutions. Throughout the 'fifties, however, multilateral aid contributions attracted little attention in official statements on the foreign aid programme.

The Liberal-Country Party's rationale for foreign aid was predominantly political. Following policies established by its Labor predecessors, the new Government took close interest, both diplomatic and strategic, in the Asian and
Pacific region, which was now an area composed more of nation-states than of colonies. Furthermore, the Liberals were very concerned about the spread of communism and the growth of political instability in Asia, a concern which was only greater in degree than that expressed earlier by the Labor Government. Consequently, building on the nation's earlier experience of providing relief and rehabilitation assistance to other countries, and recognising that in certain ways the Marshall Plan constituted a model for Australia's own region, the Liberal Government played a central role in the establishment of the Colombo Plan. Under the Plan, Australia provided assistance for economic development to reinforce political stability and to encourage the maintenance of democratic institutions as a counter to communism in South and South-east Asian countries. That, in turn, was perceived to be to Australia's strategic advantage; the stability of governments in the area was seen as a necessary complement to the regional security pact which Canberra was striving to establish.¹

The aid policy established in 1950 was also based on economic considerations, although these were secondary. The economic rationale for aid was put forward more to encourage the necessary co-operation of manufacturers than to actively promote their interests. Finally the Government acknowledged that humanitarian considerations were also involved in establishing the policy guidelines for decisions on foreign aid. As a natural extension of the idealism of the 'forties, Australia accepted a moral or international obligation to provide assistance to less-developed countries.

During the decade of the 'fifties there was a discernible shift from strategic to diplomatic

¹ This political emphasis in Australian foreign aid was not the outcome of the particular approach of the Coalition to aid policy; speeches of members of the Labor Opposition in Parliament indicated that it received bipartisan support.
considerations. More emphasis came to be placed on the value of foreign aid for the development of good relations in the region. This altered emphasis occurred despite the establishment of Australia's SEATO 'defence support' aid programme which was initially designed to help bolster the Collective Defence organisation.

Throughout the following decade, foreign aid increasingly became a more complex policy area than it had been in the 'fifties. Australia was drawn more and more into international aid arrangements and its aid practices were subjected to increasing scrutiny. These arrangements involved specific commitments such as aid in response to the Indo-China situation and, later, in response to assessments made by the Inter-Governmental Group on Indonesia. They also included participation in organisations such as the OECD's Development Assistance Committee and the UNCTAD conferences.¹

We saw, in Part III above, from the way in which a number of aid issues were handled within the bureaucracy, that diplomatic, and at times strategic, considerations were still the most important during this period. This was particularly evident from the heavy emphasis which the Government came to place on aid to Indonesia, Australia's nearest neighbour. The unusually large commitments from 1967/68 were directly associated with the pro-western orientation of the Indonesian Government after the attempted coup of 1965. Within the aid programme as a whole, political objectives were still uppermost despite the impression created by official statements that 'economic development' was the most important.

In spite of the predominance of political considerations in aid policy, economic factors were brought to the fore in

¹ In this context, the annual Colombo Plan Consultative Committee meetings were less significant than other international aid forums because at Colombo Plan meetings, attention was focused primarily on economic development within countries in South and South-east Asia, and the aid policies of donors were subjected to relatively little scrutiny.
relation to some multilateral elements of the programme. Australia's international status and prestige were still significant considerations underlying commitments to the World Bank, the International Development Association and the Asian Development Bank, but Australian economic advantages were considerable. First, although Australia's sizable World Bank subscriptions between 1956/57 and 1963/64 (averaging $5.5 million annually) were regarded as 'development assistance' in conformity with internationally accepted definitions, that position was somewhat paradoxical for Australia considering its status as a substantial borrower from the Bank. Second, Papua New Guinea was regarded as a potential borrower from the Asian Development Bank, the assumption being that in this way Australia might be relieved of some of its future financial responsibilities in the Territory.

During the previous decade the Department of Trade (as it then was) had been only minimally involved with aid over such isolated issues as flour aid to Ceylon, but during the 'sixties, and particularly from 1967, that department and wider sections of the private business community began to take greater interest in the expanding aid programme. In some areas, such as the BE (or DK) aid scheme to Indonesia, the use of private consultants and the association of aid with private investment, there was a correspondence between official policy and the recommendations of commercial and industrial interests. To that extent business pressures are likely to have been significant, but it could not be concluded that there had been a marked change in the priority accorded to economic considerations within the total aid programme.

Beyond the Government (the Executive) and the bureaucracy, there was little public awareness of the intricacies of

1 This issue also involved the Department of Primary Industry and private business interests.
Australian foreign aid policy. In part this was because parliamentarians, party leaders, academics and the press generally accepted without question the assumptions underlying official policy. Consequently there was little incentive to explore and 'expose' that policy. It was partly, too, due to the closed nature of the Australian public service, in particular, the Department of External Affairs. Without access to information concerning aid policy, neither Parliament, parties nor other contributors to domestic opinion were in a position to develop either a continuing interest in the complexities of aid policy, or concern for more than a small number of foreign aid issues. Those few which became public issues were either subsidiary to a current foreign policy issue (for example, Indonesia, 1963-66 and Viet Nam 1967-68) or they involved relatively simple elements of an otherwise complex aid programme. Emergency aid was one such simple element; public campaigns were fed by graphic media reports of the disaster which helped to elicit emotional appeals for aid. Campaigns over emergency aid were also feasible because the solution was regarded as straightforward - the provision of food, shelter or medical assistance - and the issue was therefore comprehensible. However, once the emergency was over, the complex political and economic long-term problems which remained (in Bangladesh, for example), could not sustain the same level of wide-spread public interest.

Until the 1970s, because foreign aid had not been a public issue, the bureaucracy had been left unhindered in its task of devising and recommending policy to the Government, and implementing the policy agreed on. During the early 'seventies, however, there were signs that the aid preserve of the bureaucracy was likely to be invaded. Voluntary aid agency scrutiny became more widely based, better informed and more carefully directed at the official aid programme. Concurrently, through the Joint Committee on Foreign Affairs, parliamentarians began to take a closer interest in foreign aid. Together these developments suggest that in future other institutions than the public service could become sufficiently aware of and informed about official aid policy for their influence on the Government to be of some significance.
Territorial aid policy with respect to Papua New Guinea has been shown to be a different issue from that of foreign aid policy despite the inclusion of both territorial aid and foreign aid in Australia's accounts of its official development assistance efforts, from the early 'sixties. For that reason, a separate study is called for to explore those political, economic and humanitarian factors which contributed to decisions on the annual grant-in-aid to the Territory. While the study of this question in Chapter Five concentrated on official statements only, it did show that an inquiry into territorial aid policy will be more satisfactorily undertaken within a colonial policy framework rather than a foreign policy framework.

However, towards the end of the period under study, as part of a broad administrative reorganisation in Papua New Guinea to prepare the way for internal self-government, changes were made in the way Australia provided the annual grant-in-aid, to account separately for the development grant, the allowances for expatriate public servants, and the budget support component. Since that time (1970), the Australian Government has taken action to integrate its territorial aid policy with that concerning foreign aid, a task which, under the Labor Government elected in December 1972, has become the responsibility of the semi-autonomous Australian Development Assistance Agency. When Papua New Guinea gains its independence, foreign aid policy will, for the first time, incorporate policy regarding Australia's major contribution to the development of its former colony.

This thesis has identified the 'higher level' objectives which Australia pursued in its foreign aid policy between 1950 and 1972. It points forward to at least two further areas of research. First, a comparison of Australian aid objectives
with those of countries such as Canada, Sweden and the Netherlands would provide insights into both domestic and foreign policy constraints so far as Australian aid policy is concerned. Second, now that distinctions have been drawn between the different 'level' objectives being pursued in Australian aid policy, there is a need for an evaluation of the extent to which Australia has indeed succeeded in achieving its 'higher level' political, economic and humanitarian objectives.

This thesis shows that the history of foreign aid in Australia has been very much conditioned by diplomatic, strategic and to a lesser extent ideological considerations; that economic advantages for Australia were, for the most part, only of secondary importance, and that there was usually present in aid policy an altruistic expression of concern for others which was not altogether rhetorical. The study has also shown that the primacy of political considerations in foreign aid policy was largely the result of the primacy of a political department in handling it; Foreign Affairs, not Treasury or Trade and Industry, controlled the major, Australian-administered, bilateral component of the aid programme. It may well be that 'where you stand depends on where you sit'.

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## AUSTRALIA'S FOREIGN AID
### OFFICIAL DEVELOPMENT ASSISTANCE
#### BILATERAL AID 1945/46 - 1971/72
(Excluding Territorial Aid to Papua New Guinea)

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**AUSTRALIA'S FOREIGN AID**

**OFFICIAL DEVELOPMENT ASSISTANCE**

**BILATERAL AID 1945/46 - 1971/72**

(excluding Territorial Aid to Papua New Guinea)

Year ended 30 June

$'000 Table I (continued)

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### Australia's Foreign Aid

**Official Development Assistance**

**Bilateral Aid 1945/46 - 1971/72**

(excluding Territorial Aid to Papua New Guinea)

**Year ended 30 June $'000 Table I (continued)**

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Notes to Table I:

a  This total is $185,000 less than the sum of the columns due to a discrepancy between sources in the aid expended between 1945/46 and 1959/60. The total shown of is consistent with the figures provided by the Office of the Australian Development Assistance Agency.

b  This total is $35,000 less than the sum of the columns for the reason given in Note a.

c  This total is $300,000 less than the sum of the columns for the reason given in Note a.

d  This total is $18,000 less than the sum of the columns for the reason given in Note a.

e  The grand total is $538,000 less than the sum of the totals columns for the reason given in Note a.

Sources for Table I:


2  Department of External Affairs, Australia's Aid to Developing Countries (1964).

3  Expenditures on the South Pacific Commission for the years 1946/47 to 1959/60 provided by the Statistics Section of the Australian Development Assistance Agency.
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#### OFFICIAL DEVELOPMENT ASSISTANCE

#### MULTILATERAL AID 1945/46 - 1971/72

*Year ended 30 June $'000*

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**Total** 1,957 2,131 1,361 5,150 8,437 7,021 8,717 9,088
### AUSTRALIA'S FOREIGN AID
**OFFICIAL DEVELOPMENT ASSISTANCE**
**MULTILATERAL AID 1945/46 - 1971/72**

#### Year ended 30 June $'000

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 AUSTRALIA'S FOREIGN AID
OFFICIAL DEVELOPMENT ASSISTANCE
MULTILATERAL AID 1945/46 - 1971/72

Year ended 30 June
$'000

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Appendix 1
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Notes to Table II

a This total is $2,864,000 less than the sum of the columns due to a discrepancy between sources in the aid expended between 1945/46 and 1959/60. The total shown is consistent with the figures provided by the Office of the Australian Development Assistance Agency.

b This total is $3,999,000 more than the sum of the columns for the reason given in Note a.

c This total is $10,000 less than the sum of the columns for the reason given in Note a.

d This grand total is $1,125,000 more than the sum of the totals column for the reason given in Note a.

Sources for Table II:


2 Department of External Affairs, Australia's Aid to Developing Countries (1964).
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<th>Economic Aid to other Countries</th>
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Note: Percentages may not add to 100 due to rounding. Columns may not add to overall totals for reasons explained in the sources.

Sources: Appendix 1, Tables I and II, and Appendix 5.
## Geographical Distribution of Australian Bilateral Foreign Aid - 1950/51 to 1971/72
(excluding SEATO Aid)

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Geographical Distribution of Australian Bilateral Foreign Aid - 1950/51 to 1971/72
(excluding SEATO Aid)

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Note: n.a. = Not Available
## Geographical Distribution of Australian Bilateral Foreign Aid - 1950/51 to 1971/72
(excluding SEATO Aid)

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<td>$'000</td>
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Geographical Distribution of Australian Bilateral Foreign Aid - 1950/51 to 1971/72
(excluding SEATO Aid)

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<td>1,008.5</td>
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<td>37,750.2</td>
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<td>41,383.2</td>
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</table>
Appendix 2

Notes:

a  Aid to 'Malaysia' includes aid to the British Territories of Malaya, Singapore, Brunei, North Borneo (Sabah) and Sarawak up to 1961/63, excludes Brunei from 1962/63 on the formation of Malaysia, and excludes Singapore from 1965/66. See also Note k below.

b  Aid to Brunei is included in aid to 'Malaysia' until 1962/63.

c  Aid to Singapore is included in aid to 'Malaysia' until 1964/65.

d  Miscellaneous aid expenditure up to 30 June 1956 was $179,800. This sum has been accounted for in the 1960/61 balancing item.

e  Figures for aid under the Commonwealth Co-operation in Education Scheme (CCES) between 1960/61 and 1966/67 are not available and therefore not included. This applies to Singapore aid up to 1969/70.

f  Miscellaneous from 1960/61 includes the Mekong River project and the Indus Waters Scheme contributions.

g  This Bowen cumulative total for 1960/61 was calculated by adding to the cumulative total for Malaysia ($4,095,000) the difference between the Singapore 1967/68 cumulative total ($3,922,000) and the sum of annual Singapore aid figures from 1961/62 to 1967/68 ($3,550,400) as obtained from Colombo Plan, Annual Reports. This was necessitated because a comparison between Bowen figures and Colombo Plan Reports showed that in Bowen, Australian Foreign Aid, pp.30-32, 'Malaysia' excluded Singapore at least between 1956/57 and 1964/65.

h  Includes emergency relief ($59,000) provided between 1955 and 1965 but as no annual information available, this sum was included within the 1960/61 balancing item.

i  Balancing items are included to reconcile cumulative totals in Bowen, Australian Foreign Aid with those obtained by adding figures from Colombo Plan Annual Reports.

j  This balancing item arises because in Bowen, Australian Foreign Aid, all Brunei aid is separated from aid to Malaysia (or Malaya as it then was). In this table, all aid to British Territories is grouped under 'Malaysia' up to 1962/63, the financial year preceding the formation of Malaysia.

k  This balancing item is composed of two parts: + 284.3 to reconcile the discrepancies explained in note g, above. - 2,548.8 to reconcile the Colombo Plan Reports total for Malaysia with that in Bowen, Australian Foreign Aid ($29,242,200 plus CCES $39,100). The Bowen cumulative total to 1971/72 is used because that figure as published is now likely to remain unchanged. However, the annual expenditure under
Appendix 2

the Malaysia column in this Appendix has been shown in a way which reflects the political relationships between the former British Territories. In other words up to 1962/63, 'Malaysia' includes all British Territories, from 1963/64 Brunei is separated from Malaysia proper (which incorporates Singapore) and from 1965/66, Singapore also is shown as receiving a separate aid allocation.

1 This balancing item arises because in Bowen, Australian Foreign Aid, Singapore aid is separated from aid to Malaysia (and Malaya before that). In this table, Singapore is grouped with other British Territories under 'Malaysia' up to 1962/63, and is formally a part of Malaysia from 1963/64 to 1964/65. Singapore separated from Malaysia in August 1965.

m This balancing item arises because CCES aid to Africa 1961/62 to 1966/67 is not available on a financial year basis. This cumulative total of $1,778,600 is calculated from the 1971/72 cumulative total (Bowen, Australian Foreign Aid, p.62) and the financial year figures 1967/68 to 1971/72 which are known.

n Between 1961/62 and 1966/67 African aid figures include expenditure under SCAAP only. See note m above.

o Miscellaneous expenditure for the years 1961/62 to 1971/72 was obtained by subtracting total country aid (from table) and SEATO aid (as in Appendix 3 below) from total bilateral aid expenditure as in Crean, Australia's External Aid 1973-74, p.15 and Department of External Affairs, Australian International Aid to 30 June 1967, pp.8-9.

p Aid was provided before 1963/64 to Korea under the Australian International Award Scheme (AIAS) and a bilateral student programme, but figures are not available.

q Half total for two year period 1964/65 to 1965/66 as in Colombo Plan, Fourteenth Annual Report (1966), p.424. (Note: Table 2 p.424 is A$'000 not A'000) Singapore portion of Malaysia 1964/65 similarly derived.


s Figure for calendar year 1969 from Colombo Plan, Eighteenth Annual Report (1971), p.377.

t Calculated by adding Special Commonwealth African Assistance Plan (SCAAP) (with the 1968/69 figures corrected by the Department of Foreign Affairs), CCES and Food Aid Convention (FAC) figures from Bowen Australian Foreign Aid, p.62. Note, however, that while the SCAAP and the FAC figures correspond with those on p.69, the cumulative total of bilateral expenditures in Africa on p.68 does not include CCES expenditure of $375 million.

u Some percentages do not add to 100 due to rounding.
Appendix 2

Sources:


2. Department of External Affairs, Aid Policy Section, 'Australian Aid to India' (mimeo., December 1971) for annual contributions to Indus Waters Scheme. For the first two years, contributions were assumed to be half the two year total given.

3. Bowen, Australian Foreign Aid, pp.11-69, passim.


Geographical Distribution of Australian Bilateral Foreign Aid among the Six Major Recipients, 1950/51 to 1971/72
(excluding aid through Mekong River, Indus Basin and SEATO programmes)
### Australia's SEATO Aid Programme

**1956/57 to 1971/72**

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<th>Thailand $'000</th>
<th>Thailand %</th>
<th>Pakistan $'000</th>
<th>Pakistan %</th>
<th>Philippines $'000</th>
<th>Philippines %</th>
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<th>Miscellaneous %</th>
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<th>Total %</th>
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<td>69.5</td>
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<td>131.5</td>
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<td>20.9</td>
<td>0.8</td>
<td>2,497.5</td>
<td>100.0</td>
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<tr>
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<td>1,150.7</td>
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<td>468.7</td>
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<td>4.4</td>
<td>634.7</td>
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<td>30.5</td>
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<td>341.5</td>
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<td>17.7</td>
<td>0.7</td>
<td>592.3</td>
<td>24.7</td>
<td>168.9</td>
<td>7.0</td>
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<td>70.5</td>
<td>3.7</td>
<td>4.9</td>
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<td>36.3</td>
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<td><strong>Total</strong></td>
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<td><strong>47.7</strong></td>
<td><strong>6,523.4</strong></td>
<td><strong>23.6</strong></td>
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<td><strong>1.4</strong></td>
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<td><strong>100.1</strong></td>
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Appendix 3

Notes:

1. Columns may not add to totals due to rounding.

2. Cumulative totals to 30 June 1971/72 vary from those in Bowen, *Australian Foreign Aid*, pp. 33, 36, 38, 49, partly because of rounding errors and also because of discrepancies between some of the figures in the two sources. For the most part, the *Current Notes* statistics, not being rounded, have been accepted as the most accurate. To test the accuracy of disputed figures, cross-checks have been made using the various totals supplied.

Sources:


### AUSTRALIA'S DEFENCE AID PROGRAMME

**1962/63 to 1971/72**

*Year ended 30 June*

<table>
<thead>
<tr>
<th></th>
<th></th>
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<th></th>
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<td>1,284</td>
<td>60</td>
<td>17</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>4,253</td>
</tr>
<tr>
<td><strong>Malaysia</strong></td>
<td>-</td>
<td>(144)</td>
<td>3,376</td>
<td>5,034</td>
<td>8,036</td>
<td>6,096</td>
<td>6,243</td>
<td>8,203</td>
<td>-</td>
<td>-</td>
<td>46,353</td>
</tr>
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<td>-</td>
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<td>-</td>
<td>5,487</td>
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<tr>
<td><strong>South Viet Nam</strong></td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
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<td>-</td>
<td>-</td>
<td>2,207</td>
<td>3,280</td>
<td>5,487</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>2,892</td>
<td>1,428</td>
<td>3,436</td>
<td>5,051</td>
<td>8,036</td>
<td>6,096</td>
<td>6,243</td>
<td>8,203</td>
<td>7,201</td>
<td>7,507</td>
<td>56,093</td>
</tr>
</tbody>
</table>

**Notes:**

a. A $20 million, three-year programme of defence assistance to Indonesia began on 1 July 1972. - Prime Minister's Department, Press Release No. 58/72.

b. This table does not include the costs of Australian military commitments in Malaysia from 1950, in Thailand from 1962 and in South Viet Nam from 1962, nor the costs of training overseas military personnel in Australia from the late 1950s. These training costs were partly included in Australia's SEATO aid programme up to 1967/68.

**Sources:**

### AUSTRALIAN TERRITORIAL AID (OFFICIAL DEVELOPMENT ASSISTANCE) TO PAPUA NEW GUINEA

#### 1945/46 to 1971/72

($ million)

<table>
<thead>
<tr>
<th>Year ended 30 June</th>
<th>Grants</th>
<th>Commonwealth Loans</th>
<th>Annual Increasea</th>
<th>Other Aid</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1946</td>
<td>0.5</td>
<td>-</td>
<td>-</td>
<td>0.6</td>
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<tr>
<td>1947</td>
<td>4.0</td>
<td>-</td>
<td>698.7</td>
<td>0.5</td>
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<tr>
<td>1948</td>
<td>3.7</td>
<td>-</td>
<td>-7.5</td>
<td>1.0</td>
<td>4.7</td>
</tr>
<tr>
<td>1949</td>
<td>6.4</td>
<td>-</td>
<td>71.2</td>
<td>1.0</td>
<td>7.4</td>
</tr>
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<td>1950</td>
<td>8.4</td>
<td>-</td>
<td>30.9</td>
<td>0.4</td>
<td>8.8</td>
</tr>
<tr>
<td>1951</td>
<td>8.7</td>
<td>-</td>
<td>4.1</td>
<td>0.4</td>
<td>9.1</td>
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<tr>
<td>1952</td>
<td>10.6</td>
<td>-</td>
<td>21.3</td>
<td>0.6</td>
<td>11.2</td>
</tr>
<tr>
<td>1953</td>
<td>9.3</td>
<td>-</td>
<td>-11.9</td>
<td>1.3</td>
<td>10.6</td>
</tr>
<tr>
<td>1954</td>
<td>10.8</td>
<td>-</td>
<td>16.4</td>
<td>1.3</td>
<td>12.1</td>
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<td>1955</td>
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<td>0.5</td>
<td>14.8</td>
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<td>1956</td>
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<td>-</td>
<td>18.3</td>
<td>0.7</td>
<td>17.6</td>
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<td>12.0</td>
<td>1.0</td>
<td>19.9</td>
</tr>
<tr>
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<td>-</td>
<td>13.8</td>
<td>1.1</td>
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<td>1959</td>
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<td>4.5</td>
<td>27.5</td>
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<td>1960</td>
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<td>-</td>
<td>11.6</td>
<td>6.0</td>
<td>31.6</td>
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<tr>
<td>Cumulative totals</td>
<td>182.7</td>
<td>-</td>
<td>20.9</td>
<td>203.6</td>
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<td>Balancing itemb</td>
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<td>+0.8</td>
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<td>1961</td>
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<td>15.5</td>
<td>8.6</td>
<td>38.2</td>
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<tr>
<td>1962</td>
<td>34.6</td>
<td>-</td>
<td>16.9</td>
<td>9.8</td>
<td>44.4</td>
</tr>
<tr>
<td>1963</td>
<td>40.0</td>
<td>-</td>
<td>15.6</td>
<td>9.8</td>
<td>49.8</td>
</tr>
<tr>
<td>1964</td>
<td>50.5</td>
<td>-</td>
<td>26.2</td>
<td>10.7</td>
<td>61.2</td>
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<td>1965</td>
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<td>-</td>
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<td>1966</td>
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<td>-</td>
<td>10.7</td>
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<td>92.4</td>
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<td>-</td>
<td>12.5</td>
<td>13.8</td>
<td>100.8</td>
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<td>5.0c</td>
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<tr>
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<tr>
<td>1972</td>
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<td>11.7</td>
<td>11.2</td>
<td>54.9f</td>
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<tr>
<td>Total</td>
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<td>20.0</td>
<td>247.2</td>
<td>1191.5</td>
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</tr>
</tbody>
</table>
Notes:

a. The percentage annual increase is calculated on the basis of Grants plus loans (excluding 1969/70 Special Advance) plus Expatriate Allowances (from 1970/71).

b. The *Papua New Guinea Public Finance Statistics* (see sources below) Table IX, shows cumulative totals as follows:

<table>
<thead>
<tr>
<th>Year ended 30 June</th>
<th>Grant to Administration</th>
<th>Other Aid</th>
<th>Total Commonwealth Economic Aid</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945-1960</td>
<td>180.3</td>
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</tr>
</tbody>
</table>

A balancing item is therefore included to reconcile the figures obtained from the different sources and have them conform, as far as possible, to the *Public Finance Statistics*, Table IX.

c. Includes $3.0 million Special Commonwealth Budget Equalization Trust Fund Advance and $2.0 million Commonwealth Development loan for Arawa.

d. Includes $6.2 million Commonwealth Development loan for Arawa less Trust Fund advance of $3 million. *Public Finance Statistics*, Table IX, incorrectly does not include this reimbursement.

e. This figure includes an amount of $31.5 million being Allowances and other benefits for Overseas Officers of the PNG Public Service.

f. This figure includes an amount of $38.3 million being allowances as in c. above.

Sources:

3. Other Aid - from 1945 to 1960 classed as 'Essential Services' in Department of External Affairs, *Australia's Aid to Developing Countries*, (October 1964), pp.36-7. From 1961 classed as net Expenditure by Commonwealth Departments, Instrumentalities and Authorities in *Public Finance Statistics*, Tables IX and XI. Table XI included the net expenditure of an economic nature by Commonwealth Authorities for the years 1968/69 to 1971/72. Up to 30 June 1963, no such expenditures occurred. The figures for the years 1963/64 to 1967/68 were provided by the Statistical Section of the Department of External Territories and were as follows:
Net Expenditure of an economic nature
by Commonwealth Authorities

($ million)

<table>
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<tr>
<th>Year ended</th>
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<th>1965</th>
<th>1966</th>
<th>1967</th>
<th>1968</th>
</tr>
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<td>0.2</td>
<td>0.5</td>
<td>0.8</td>
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</table>

When added to 'Other Aid' in *Public Finance Statistics*, Table IX, the Other Aid figures for these years in this Appendix are obtained.
## Comparison of Receipts: Internal Revenue, Loan Raising, and Commonwealth Grant (Including Special Commonwealth Loans)

### 1945/46 to 1972/73

<table>
<thead>
<tr>
<th>Year ended 30 June</th>
<th>Grants</th>
<th>Internal Revenue</th>
<th>Borrowings</th>
<th>Total Receipts</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$m</td>
<td>%</td>
<td>$m</td>
<td>$m%</td>
</tr>
<tr>
<td>1946</td>
<td>0.5</td>
<td>79.4</td>
<td>0.1</td>
<td>20.6</td>
</tr>
<tr>
<td>1947</td>
<td>4.0</td>
<td>81.3</td>
<td>0.9</td>
<td>18.7</td>
</tr>
<tr>
<td>1948</td>
<td>3.7</td>
<td>67.1</td>
<td>1.8</td>
<td>32.9</td>
</tr>
<tr>
<td>1949</td>
<td>6.4</td>
<td>72.2</td>
<td>2.5</td>
<td>27.8</td>
</tr>
<tr>
<td>1950</td>
<td>8.4</td>
<td>74.9</td>
<td>2.8</td>
<td>25.1</td>
</tr>
<tr>
<td>1951</td>
<td>8.7</td>
<td>70.0</td>
<td>3.7</td>
<td>30.0</td>
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<tr>
<td>1952</td>
<td>10.6</td>
<td>68.8</td>
<td>4.8</td>
<td>31.1</td>
</tr>
<tr>
<td>1953</td>
<td>9.3</td>
<td>65.7</td>
<td>4.9</td>
<td>34.3</td>
</tr>
<tr>
<td>1954</td>
<td>10.8</td>
<td>64.6</td>
<td>5.9</td>
<td>35.4</td>
</tr>
<tr>
<td>1955</td>
<td>14.3</td>
<td>69.3</td>
<td>6.3</td>
<td>30.7</td>
</tr>
<tr>
<td>1956</td>
<td>16.9</td>
<td>68.6</td>
<td>7.7</td>
<td>31.4</td>
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<tr>
<td>1957</td>
<td>18.9</td>
<td>69.5</td>
<td>8.3</td>
<td>30.5</td>
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<tr>
<td>1958</td>
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<td>69.5</td>
<td>9.4</td>
<td>30.4</td>
</tr>
<tr>
<td>1959</td>
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<td>11.2</td>
<td>32.8</td>
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<tr>
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<td>65.2</td>
<td>14.9</td>
<td>32.9</td>
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<td>1962</td>
<td>34.6</td>
<td>67.7</td>
<td>15.4</td>
<td>30.2</td>
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<td>1963</td>
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<td>34.0</td>
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<td>76.3d</td>
<td>40.1</td>
<td>83.4</td>
<td>43.8</td>
</tr>
<tr>
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<td>81.6e</td>
<td>38.7</td>
<td>95.2</td>
<td>45.2</td>
</tr>
<tr>
<td>1973</td>
<td>85.9f</td>
<td>39.8</td>
<td>93.1</td>
<td>43.1</td>
</tr>
</tbody>
</table>

### Notes:

- **a** From 1965-66 Internal Revenue shown is a net figure after refunds have been deducted.
- **b** Columns may not add to Totals due to rounding.
- **c** Includes $2 million Commonwealth Development Loan - Arawa.
- **d** Includes Grant-in-Aid $33.0 million, Development Grant $37.0 million and Commonwealth Development Loan - Arawa $6.3 million.
- **e** Includes Grant-in-Aid $30.0 million, Development Grant $39.9 million, and Commonwealth Development Loan - Arawa $11.7 million.
- **f** Includes Grant-in-Aid $30.0 million, Development Grant $48.5 million, Special Grant related to transfer of Commonwealth functions $3.5 million, and Commonwealth Special Loan - C.N.G.T. Equity $3.0 million.

### Sources:
Some light is shed on the minimal increase in the Commonwealth grant for 1950/51 by examining the public finance details for the two territories. First, total Administration expenditure in Papua New Guinea did rise by 15% as compared with 1949/50 expenditures. (See table below) That rate of increase was not as great as that of the previous year (38%) for a number of reasons.

**Appendix 7**

**ANALYSIS OF COMMONWEALTH GRANTS (TERRITORIAL AID) TO PAPUA NEW GUINEA FOR 1950/51 AND 1952/53**

PAPUA NEW GUINEA

ADMINISTRATION REVENUE AND EXPENDITURE

<table>
<thead>
<tr>
<th></th>
<th>1949/50</th>
<th>1950/51</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$'000</td>
<td>% increase</td>
</tr>
<tr>
<td>Initial surplus</td>
<td>1,419</td>
<td>144</td>
</tr>
<tr>
<td>Internal receipts</td>
<td>2,801</td>
<td>14</td>
</tr>
<tr>
<td>Commonwealth grant</td>
<td>8,369</td>
<td>31</td>
</tr>
<tr>
<td>Total Revenue Fund</td>
<td>12,589</td>
<td>33</td>
</tr>
<tr>
<td>Expenditure</td>
<td>11,097</td>
<td>38</td>
</tr>
<tr>
<td>Closing surplus</td>
<td>1,492</td>
<td>5</td>
</tr>
</tbody>
</table>


Although Spender estimated in June 1950 that approximately $2,460,000 remained to be paid out under the Native War Damage Compensation scheme, no payments were made during 1950/51. The Government was developing a savings bank system to replace the hand-outs of 'easy' money which Spender felt could be 'positively demoralising'. Also, to more effectively cope with the expanding works programme, the functions of the Territory Department of Public Works were taken over.  

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on 1 July 1950 by the Commonwealth Department of Works and Housing,\(^1\) thereby causing another considerable saving in Administration expenditure. In addition there were substantial cuts in the Customs Branch (Salaries and Contingencies) and the Department of District Services and Native Affairs (Miscellaneous Services) items.\(^2\) Thus the rate of increase of expenditure was lower than may have been projected from 1949/50 figures, but still a substantial 15%. Second, on the revenue side, two factors contributed to a high increase in internal revenues. Among the miscellaneous items for 1950/51 there appeared one titled 'Appropriation of former years' which significantly boosted Administration receipts. In addition it was decided in 1950/51 to reduce the Administration's closing surplus, adding another substantial amount to expendable Administration revenues. Formally Administration estimates were prepared before the Australian grant was determined,\(^3\) the grant being required to bridge the gap between estimated expenditure and internal revenue. Consequently, as those two items increased at a respectively lower and higher rate than in the previous year, the grant required contained a smaller increase than may otherwise have been expected.

However, two questions remain. Were the Customs and District Services cuts instituted because the previous levels of expenditure could not be justified on administrative grounds? Alternatively, did the Commonwealth

\(^1\) New Guinea Report 1950/51, p.111, note g.

\(^2\) Ibid., pp.107-111; and Papua Report 1950/51, pp.62-68.

Government wish to limit either total expenditure within the Territory or the grant-in-aid for 1950/51, and in so doing, force the hand of the Administration in Papua New Guinea?

In 1952/53, the Commonwealth grant was actually 12% lower than that for the previous year. From the public finance details it is seen that in 1952/53 internal receipts only rose marginally because customs revenues had decreased as a result of a severe trading slump.\(^1\) To some extent that had been anticipated by the Administration because the Commonwealth had imposed import restrictions, and adverse market conditions for rubber and copra had developed.\(^2\) However, while internal receipts rose marginally, Administration expenditure for 1952/53 declined by 7% from the previous year's level. As was to be expected from the trade slump, stevedoring costs were down markedly, but in addition Native Education in New Guinea was severely cut as was the Public Health (Hospital Services) item for both territories.\(^3\) However, as discovered when the circumstances surrounding the 1950/51 Commonwealth grant were analysed above, evidence of this nature raises more questions than it answers. But by 1952, the Papua New Guinea Estimates were being debated in detail in Port Moresby and further information was made publicly available.

During debates in the reconstituted Legislative Council on the two Appropriation Bills for 1952/53, more light was shed on the major fluctuations within particular revenue and expenditure items. In his Second Reading speech on the 'Appropriation Bill 1952/53' H.H. Reeve, the Papua New Guinea Treasurer, added the information that there had been an

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In that year, the total value of imports and exports for Papua New Guinea was much reduced as compared with the previous year's figures, even though exports from New Guinea did increase.

2 *LCD*, First Council, 7 October 1952, p.17.

3 While the expenditure on Hospital Services in New Guinea had fallen after a rise in 1951/52, that in Papua's case had been reduced for four years in succession. See *New Guinea Report 1952/53*, pp.131-6, and *Papua Report 1952/53*, pp.93-7.
adjustment to the Administration's accounting procedures with the result that revenue and expenditure totals could be equally reduced by a figure amounting to some $300,000 or $400,000, giving the unjustified appearance that Administration activities had been curtailed by that amount.¹

More significantly, when speaking to the 'Appropriation Bill (No.2) 1952-1953' just over a year later, Reeve explained that estimated expenditure, which had approximated the actual figure from 1951/52, was underspent by some $1,150,000.²

In part that had occurred because of a transfer of stevedoring functions to private enterprise in accordance with Administration policy.³ In large part it had occurred because of unexpected savings in the costs of drugs and dressings for hospitals as well as savings effected by reducing hospital stores throughout the territory. However, the item most underspent was that of Capital Works and Services. The administrative reorganisation involved in changing from the day labour to the contract system in the Commonwealth Department of Works and Housing had resulted in major project delays and a consequent shortfall of $976,000.⁴

Thus in the Legislative Council, adequate explanation had been given for the difference between estimated and actual expenditure in 1952/53, but it had not been explained why the estimated expenditure represented little more than a holding operation in 1952/53. Administrative variations were largely accounted for, but not the Commonwealth's policy as to the amount of finance which was to be made available.

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¹ LCD, First Council, 7 October 1952, pp.15, 17.
² LCD, First Council, 16 November 1953, p.3.
³ This policy had been foreshadowed in Reeve's 1952/53 budget speech - Ibid., 7 October 1952, p.16.
⁴ LCD, First Council, 16 November 1953, p.3. Adding shortfalls in Customs and Marine ($76,000) and Health ($396,000), expenditure in these three items alone had been underspent by $1,448,000. However, overall, total expenditure was underspent by a lesser figure ($1,150,000) because when it was known that a major shortfall was to occur, expenditure in other items was increased, where possible, to absorb funds.
## PAPUA NEW GUINEA
### COMPUTATION OF AUSTRALIAN DEFENCE EXPENDITURE
#### Year ended 30 June

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<td>11.7</td>
<td>10.2</td>
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<td>Subtract Receipts</td>
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<td>0.2</td>
<td>0.4</td>
<td>0.4</td>
<td>0.5</td>
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<td>Subtract 'Economic' aid provided through Commonwealth Departments and Non-Commercial Instrumentalities</td>
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<td>8.6</td>
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<td>54.0d</td>
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<td>Balance - Net Defence Expenditure</td>
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Notes:

a No figures published but minimal and can therefore be ignored.

b Does not contain the $3.0 million Budget Equalisation Advance nor the $2.0 million Arawa loan.

c Does not contain the $6.3 million Arawa loan.

d Does not contain the $11.7 million Arawa loan.

Sources:

1 Expenditure details from Department of External Territories, 'Papua New Guinea Public Finance Statistics' (mimeo., Canberra, February 1973), Table III.


3 'Economic' aid details from 'Papua New Guinea Public Finance Statistics' (1973), Table IX.
DEPARTMENT OF EXTERNAL AFFAIRS

ECONOMIC AND TECHNICAL ASSISTANCE ORGANISATION

AND SENIOR STAFFING

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Source: Department of Foreign Affairs, Canberra, 27 May 1975.
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Professor W. Macmahon Ball, Leader of Australian Goodwill Mission to East Asia in 1948. Melbourne, 4 August 1971.


Sir John Crawford, Secretary of the Department of Commerce and Agriculture, 1950-56; Secretary of the Department of Trade, 1956-60; and Director of the Research School of Pacific Studies and Professor of Economics at the Australian National University, 1960-67. Canberra, 11 and 16 January 1974.


Mr D. St.A. Dexter, Head of the Technical Assistance Section, 1955-56, and Head of the Economic and Technical Assistance Branch, 1956-58, in the Department of External Affairs. Canberra, 1 February 1974.

Mr L.W. Engledow, Assistant Secretary in the Department of External Affairs in charge of the External Aid Branch, 1966-69.
Canberra, 16 June 1971.

Mr P.J. Flood, Department of External Affairs Secretary to the Inter-departmental Committee on External Aid, 1964-65; Australian Representative on the OECD Development Assistance Committee, 1966-69; and Head of the Aid Policy Section in the Department of External Affairs, 1969-71.

Mr W.D. Forsyth, Head of the Pacific Division in the Department of External Affairs, 1944-47; and Secretary-General of the South Pacific Commission, 1948-51 and 1963-66.
Canberra, 3 January 1974.

Mr T.M. Fullerton, President of the Flour Millers' Council of Australia and the Flour Millers' representative on the Australian Wheat Board since 1967.

Mr J. Glenn, Officer in the foreign aid Liaison Section of the Export Services Division in the Department of Trade and Industry, 1972.
Canberra, 5 and 12 October 1972.

Mr R. Gough, Officer in the Australian Embassy in Bangkok, 1969-72.
Canberra, 10 October 1972.

Mr D.C. Goss, Officer in the Australian Embassy, Karachi, 1957-59, and Bangkok, 1963-64.
Canberra, 12 December 1972.

Mr S.A. Grenville, Officer in the Australian Embassy, Djakarta, 1967-69; Officer in the Aid Policy Section of the Department of External Affairs, 1969-70.
Canberra, 9 October 1973.

Mr D.O. Hay, Assistant Secretary in the Department of External Affairs in charge of the Division responsible for Economic and Technical Assistance, 1957; First Assistant Secretary in the Department of External Affairs in charge of the Division responsible for External Aid, 1965-66.
Canberra, 7 January 1974.

Canberra, 10 April 1974.

Mr W. Hine, Executive Officer in the Field Crops Division of the Department of Primary Industry, 1963-75.
Canberra, 13 December 1974.


Mr E.P. McClintock, Director of Trade Promotion in the Department of Agriculture and Commerce, 1951-52; Executive Member (from the Department of Trade) on the Export Development Council, 1958-62; and Chairman of the Export Development Council (now the Trade Development Council), 1972-75. Sydney, 6 May 1974.


Mr J. ff. Richardson, Assistant Secretary in the Department of Trade and Industry, 1958-68; in many Australian delegations to GATT and UNCTAD conferences during the 1950s and 1960s. Canberra, 30 November and 11 December 1973.


Sir Arthur Tange, Assistant Secretary in the Department of External Affairs in charge of the Division responsible for Economic and Technical Assistance, 1950-53; and Secretary of the Department of External Affairs, 1954-65.
Canberra, 12 July 1971.

Mr L. Temby, Assistant Secretary (Finance) in the Department of External Territories, 1971.
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Mr R.P. Throssell, Head of the Training and Welfare Section (later International Training Section), 1961-71 and 1973, in the Department of External Affairs.
Canberra, 14 December 1971.

Mr G.H. Tie, Officer in the Export Policy Section of the Department of Trade, 1963-65.
Canberra, 18 December 1973.

Mr T. Tuttle, Counsellor oversighting Australian foreign aid at the Australian Embassy in Djakarta, 1970-72.
Canberra, 14 December 1972.

Dr Nancy M. Viviani, Research Assistant (Adviser) to the Sub-Committee on Foreign Aid of the Parliamentary Joint Committee on Foreign Affairs, 1972; Consultant to the Office of the Australian Development Assistance Agency, 1974; Private Secretary to the Minister for Foreign Affairs, 1974-75.
Canberra, 8 November 1972, 8 February 1974.

Mr J.B. Webb, Honorary Secretary of the Volunteer Graduate Association for Indonesia, 1953-69; Director of Overseas Service Bureau (which administered Australian Volunteers Abroad), 1963-69; Director of Community Aid Abroad (CAA), 1970-75.

Sir Alan Westerman, Secretary of the Department of Trade, 1960-71.
Canberra, 30 January and 1 March 1974.

Dr R.J. Whitelaw, First Assistant Secretary in charge of the Overseas Economic Relations Division in the Department of the Treasury since 1970.
Canberra, 3 January 1974.

Dr P. Wilenski, Officer in the Aid Policy Section of the Department of Foreign Affairs, 1970-71; Head of the Aid and Development Section of the Overseas Economic Relations Division in the Department of the Treasury, 1972.
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