Australian-New Zealand Defence Co-operation

edited by T. B. Millar
Australia and New Zealand are regarded in some parts of the world as almost one country. This is not the way they regard themselves, and the sense of separateness in both places that has grown for more than a century has continued and been reinforced, despite a growing number of links between the two countries.

This book is the record of a conference that took place in Wellington in February 1968. At a time when both countries are engaged in a reassessment of their role in the world and their attitudes to each other, the conference represented a new venture in non-official discussion of Australian-New Zealand defence matters, and it reached a surprising degree of consensus.

There are chapters on Australia's and New Zealand's perception of the threats to their security in the situation created by changes in British and United States policies in Asia; on the economies of defence; on nuclear weapons and defence science; and on trans-Tasman defence co-operation.

This is a timely book which should interest the general reader as much as the political scientist and the member of Parliament.

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Australian-New Zealand Defence Co-operation

EDITED BY T. B. MILLAR

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Acknowledgments

This volume contains the edited proceedings of a conference conducted in Wellington, New Zealand, in February 1968. The summary of discussion is based very substantially on a verbatim record. The conference was made possible by a grant from the Ford Foundation to the Strategic and Defence Studies Centre, Australian National University. The Victoria University of Wellington kindly provided a venue, and I am indebted to Professor Ralph Brookes, Dr Alan Robinson, and Mr Walter Murphy of the Department of Political Science and Public Administration at Victoria, who made the necessary administrative arrangements for the conference, and to Miss Lyn Carruthers for secretarial assistance.

Canberra

April 1968

T.B.M.
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# Abbreviations

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<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>ABCA</td>
<td>America, Britain, Canada, Australia</td>
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<tr>
<td>ANZUS</td>
<td>Australia, New Zealand, and the United States</td>
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<tr>
<td>SEATO</td>
<td>South East Asia Treaty Organization</td>
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<tr>
<td>ANZAM</td>
<td>Australia, New Zealand, and the British defence organisation in the Malaya area</td>
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<tr>
<td>ASEAN</td>
<td>Association of South-East Asian Nations</td>
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<td>ASPAC</td>
<td>Asia and Pacific Council</td>
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<tr>
<td>PAP</td>
<td>People’s Action Party</td>
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<tr>
<td>PMIP</td>
<td>Pan Malayan Islamic Party</td>
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<tr>
<td>UMNO</td>
<td>United Malay National Organisation</td>
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<tr>
<td>GNP</td>
<td>Gross National Product</td>
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<tr>
<td>ICBM</td>
<td>Inter-Continental Ballistic Missile</td>
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<tr>
<td>IAEA</td>
<td>International Atomic Energy Agency</td>
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<tr>
<td>BMD</td>
<td>Ballistic Missile Defence</td>
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<tr>
<td>NATO</td>
<td>North Atlantic Treaty Organization</td>
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<td>BSIP</td>
<td>British Solomon Islands Protectorate</td>
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In some parts of the world, Australia and New Zealand are regarded as almost one country, a joint antipodean outpost of the British Commonwealth and Empire. Needless to say, this is not how they are regarded in the two states. During the early colonial period, there was a brief time when New Zealand was administratively associated with New South Wales, but nine hundred miles of sea and the whole hub-and-spokes system of colonial administration run from Whitehall made this arrangement unsatisfactory. At the end of the nineteenth century, New Zealand participated in some of the conferences which led to the formation of the Commonwealth of Australia, and could probably have become a seventh state had the people so wished, but the proposal lapsed. More than a century of separate development had led to a different outlook on many questions and a reluctance to yield up a burgeoning sovereignty and independent status. Until very recently, this sense of separateness - always stronger in New Zealand than Australia - has continued and been reinforced, despite a growing number of trans-Tasman links and many common interests, some of them vital.

Some of the differences have been cultivated from a desire to preserve distinctive situations or values seen to be advantageous. Unlike Australia, New Zealand has not encouraged the migration of non-British Europeans, so that the white population is still approximately 96 per cent of British stock, compared with less than 80 per cent in Australia. New Zealand seized on the advantages conferred by soil and climate to develop a meat and dairying export industry far more efficient than Australia's and thus far more able to compete in British markets twelve thousand miles away, the profits being used to buy the products of British industry. In defence, New Zealand has
felt even more committed than Australia to preserving the relationship with the mother country. It sent a higher proportion of its sons to fight in the Boer War and two world wars, and, when the Japanese threatened the south-west Pacific during World War II, Australian forces were brought back from the Middle East, but the New Zealand division remained with the British forces there and went on to fight in Italy. New Zealand anticipated Australia in sending defence units to help defeat the communist insurgency in Malaya which began in 1948; per contra, New Zealand was more reluctant than Australia to commit forces alongside the Americans in Vietnam, slower to support American policies.

Despite these differences, there has been a good deal of 'togetherness' in defence. The substance of ANZAC at Gallipoli provided a continuing mythology: the separate nations were tested and forged by common action in a common fire. During World War II, New Zealanders and Australians fought together in the Middle East. Since that war, except for Australian air units briefly stationed at Malta, wherever Australian forces have been located overseas, New Zealand forces have been with them. For many years Australia has offered training facilities to New Zealand, and all three services have co-operated in joint exercises. The Royal Military College at Duntroon has trained most of the officer cadets of the New Zealand permanent army. Australian factories provide some of the equipment used by New Zealand's defence forces, particularly the small arms. From 1950 onwards, co-operation in defence has developed from a by-product of crisis to a normal day-to-day activity.

This change has come about on an ad hoc and relatively informal basis rather than through major, formalised departures. In 1944, at Australia's urging, the two governments concluded an agreement which provided (inter alia) for consultation and co-operation in foreign policy, defence, and peace negotiations, and for the establishment of a 'regional zone of defence comprising the South-west and South Pacific areas' which Australia and New Zealand would properly 'assume full responsibility for policing or sharing in policing'. Little came of these plans. In 1951, in the context of the Korean War and the Peace Treaty with Japan which authorised it to raise 'self defence forces', Australia and New Zealand signed a security treaty with the United States (the ANZUS Treaty) which assured American protection.

1The Australian–New Zealand Agreement, usually known in Australia as the Anzac Pact and in New Zealand as the Canberra Pact.
of the two states in the event of armed attack upon them, their dependent territories, or their 'armed forces, public vessels or aircraft' in the Pacific area. ANZUS was not a result of a joint initiative by Australia and New Zealand as part of a common strategy. It was very much a treaty of each with the United States rather than with one another, even though relations were much closer with each other than with the United States. At American insistence and contrary to Australian and New Zealand desires, Britain was excluded from ANZUS, a decision which later American administrations may well have regretted. ANZUS is only one of many security treaties signed by the United States; for Australia and New Zealand, it has been since its inception their main international agreement and commitment, the principal pillar of defence strategy, almost the *sine qua non* of assured survival.

Both countries were also signatories to the South-east Asia Collective Defence Treaty of 1954, under which Britain, France, and the United States were also associated, together with Thailand, the Philippines, and Pakistan. SEATO (the name by which the organisation created by the treaty is usually known) has not greatly affected Australian–New Zealand relations, except that the commitments undertaken therein, together with American pressure exerted in other contexts, have led to the present involvement in Vietnam, where New Zealand forces are a minority part of a joint Task Force (brigade group). In Malaya (later Malaysia), Australians and New Zealanders made up nearly two-thirds of the Commonwealth Strategic Reserve, which was employed operationally against communist insurgents between 1955 and 1960, and against Indonesian attacks from 1964 to 1966. Control of the Reserve has been through a Chiefs of Staff Committee (known for some years as the ANZAM Defence Committee) with representatives from Britain, Australia, and New Zealand, within the terms of directives issued by the three governments.

The military co-operation that has developed between Australia and New Zealand has thus been in wider international contexts where each state has been very much a junior partner whose presence was considered desirable but whose participation and influence were small. In the one case Britain and in the other the United States took the main burden and decided the strategy. In both, Australia and New Zealand have participated because they felt the operations were a contribution to the security of the area, and in their interest, because they saw their own efforts as insurance contributions for great power protection,
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and presumably because they wished to influence, however slightly, the course of events and post-conflict arrangements.

Britain's decision in July 1967 to withdraw entirely from its bases in Malaysia and Singapore by the middle 1970s, and the accelerated program announced in January 1968, have created an unprecedented situation for Australia and New Zealand. In some ways it affects Australia more than New Zealand - it raises problems about the future security of the Indian Ocean, across which so much of Australia's trade passes; and Australia is so much closer to those parts of South-east Asia from which Britain is withdrawing. New Zealand lies in an ocean patrolled by the American Seventh Fleet, and may be presumed to be physically more secure, as is its trade. Psychologically, perhaps, New Zealand is the more affected, because of the stronger ties of kinship and sentiment with Britain. New Zealand is also in a much more difficult economic situation. The devaluation of sterling and thus of New Zealand's own currency may confer some trade benefits, but they are signs of an economic malaise which for emotional reasons could outweigh those benefits in the long run. And the renewed if still unsuccessful British intention to enter the European Economic Community, coupled with the withdrawal from east of Suez, has raised serious doubts about the extent to which Britain would be able or would wish to safeguard New Zealand's exports, now as for the past century and a half heavily dependent on British markets.

It was in this context that a conference was held in the Victoria University of Wellington, New Zealand, from 2 to 4 February 1968 under the auspices of the Australian National University acting through its Strategic and Defence Studies Centre and with assistance from the School of Political Science and Public Administration of the Victoria University of Wellington. Participants were mainly members of the faculty of the two universities, as well as officials from both countries and a few other interested and qualified persons. Some of the officials were only present as observers. The conference was private, and the record of discussion is accordingly anonymous and merely summarises the main points presented, irrespective of the qualifications of the speakers. No official attitude can be inferred, nor has any of the information herein been officially released except through normal publicity media.

The conference attempted to look at the problems and prospects of defence co-operation between Australia and New Zealand at a time
when both countries are engaged in a reassessment of their role in
the world and their attitude to each other. It should be said that there
was a (perhaps surprising) degree of consensus between the participants.
1 New Zealand's Defence Problems

W. E. Murphy

In matters of defence, New Zealand attitudes to Malaysia, Vietnam, the Pacific islands, and the American alliance have their trans-Tasman reflections, though that wide stretch of water introduces some differences and even some distortions.¹ Co-operation between Australia and New Zealand is easily achieved in areas of full agreement. It is therefore more fruitful to explore areas where agreement is limited or non-existent.

The United Kingdom Supplementary Statement on Defence Policy of July 1967² envisaged a British withdrawal from Asia by the mid-1970s. Now we have to take account of a rapid acceleration of that withdrawal and also of the cancellation of the British order for F-111 aircraft which were to provide the main backing for the 'over-the-horizon' strategy which Britain offered as an alternative to the Anzac 'forward-posture' strategy in relation to South-east Asia. This cancellation must affect our evaluation of the British alternative and encourage the belief that when Britain gets out of Asia, militarily speaking, she will not be coming back.

Regarding Malaysia and Vietnam, the obvious difference is that we have a huge land mass (Australia) and the Tasman Sea between us and them, and threats from those quarters therefore seem much more remote. Our shores, moreover, are not washed by the waters of the Indian Ocean (through which, incidentally, not much of our trade is shipped), so we are less concerned about strategic considerations in

¹ At a seminar held in Canberra in September 1967, a large part of the discussion was of considerations which appear much the same in New Zealand as they do in Australia. See T. B. Millar (ed.), Britain's Withdrawal from Asia: Its Implications for Australia (Australian National University, Canberra, 1967).

² Cmnd 3357.
that area. We have nevertheless been encouraged over a long period to associate the security of our region with that of the Singapore base. We have been led to take the British presence there for granted. We had some nasty lessons about this in 1939, in 1940, and finally in 1941, which might have led us to modify this view; but we do not seem to have learned them. When Australia was helping to meet the so-called Malayan Emergency and later contributing to the Commonwealth Strategic Reserve, she was already charting for herself a course diverging from that of Britain and trying out other ideas, to the point of maintaining two quite different types of army organisation, the British-type battalion and brigade in Malaya or Malaysia and the pentropic division at home. New Zealand remained firmly wedded to the British model. Their reasons were partly sentimental and perhaps conservative; but they also arose from a reluctance to regard defence problems from a distinctively New Zealand viewpoint and also an unwillingness to spend more than the barest minimum on defence. The British connection was fundamental and the impending British departure from Asia is putting us in the painful position of having to think for ourselves and of no longer being able to obtain defence on the cheap.

We had already been pushed by the pressure of events, however, into a policy, not explicitly acknowledged, of following in Australia's footsteps in broad policy matters. The events in question were economic as well as military, and Britain's threatened entry into the European Economic Community, spelling disaster for the New Zealand economy, was prominent among them. As British promises to safeguard our trade became less and less convincing, we looked across the Tasman for reassurance. Another factor was a progressive disillusionment with the United Nations, starting about 1960. In its modern form, with a profusion of Afro-Asian members dedicated more to ridding southern Africa of white rule than to making the world safe for small powers, the United Nations certainly does not measure up to our expectations. It passes rhetorical resolutions about colonialism in Pacific islands and is clearly incapable of dealing with trouble in South-east Asia.

To follow Australia's footsteps has meant building up the American alliance as a corollary to the British one and in the long run as a

3 As I have suggested in The Times, 3 April 1967, p. 24.

4 There remains a small but loud New Zealand minority which would have us pin our faith exclusively on the United Nations, arguing that it must be made to work. It overlaps with another that sees hunger as the sole source of trouble in Asia and believes that, once the empty bellies there are filled, our troubles will be over.
substitute for it. But it is important that our attachment is first and foremost to Australia, not America. Even Australia seems afflicted at times with a sense of loneliness and isolation, a European outpost in an alien Asian sea. New Zealand, far more dependent, economically and culturally as well as militarily, is acutely afflicted thus, and, with the weakening of the British connection, she looks more than ever to Australia. 'We could not sleep at night', Professor Keith Sinclair says, 'if Australia fell to an invader.' Rivals we might be in several spheres, but never again are we likely to get out of step with Australia as we did in 1942-5 when we bowed to British requests and kept our main army force in the Mediterranean theatre. Our defence interests in the Pacific are not quite the same; but they are parallel. We feel responsible - vaguely, perhaps - for most of Polynesia: the Cook Islands, Tonga, Niue, Western Samoa, and to some extent Fiji. We had a little to do, a quarter of a century ago, with the recapture of the Solomons. Australia faces up in more concrete fashion to continuing responsibilities in Papua and New Guinea and does well out of trade with other Pacific islands.

Both our countries have had to adjust to a world in which, in the absence of major wars, they can no longer relax their guard and concentrate on peaceful pursuits. Neither has found this easy; but the New Zealand adjustment has been considerably more awkward and painful and is as yet more incomplete. Our faith in collective security through the League of Nations or the United Nations and in the capabilities and promises of the United Kingdom was more durable and the psychological consequences of loss of that faith were more shattering. Without it there seems little joy in the world for small powers, no hope of a creative role, scarcely any justification for nationhood, and no real security at all. The depression of the early 1930s taught us - after a forty-year boom - that the prosperity we had come to take for granted was dependent on circumstances beyond our control. But this sad and humiliating lesson did not lead us to reconsider our political and military security which were to prove equally fragile. 'Perhaps no Army in any country has been so frequently reorganized, regulated and until recent years consistently neglected', said General Sir Howard Kippenberger in 1957. 'The period 1930-38', he added, 'was probably

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the most discouraging the NZ Army has survived. Its experience since 1957, however, has scarcely been reassuring. In relation to its tasks and commitments our army is weaker than ever. Less than two years ago the New Zealand Prime Minister proudly proclaimed 'dramatic progress in re-equipping the armed forces with modern weapons'. 'By far the largest peacetime equipment programme ever undertaken', he is reported to have said, 'is now under way.' But the situation has since deteriorated and looks like getting even worse. In times of economic stress our defence forces are the first to feel the axe. The Review of Defence Policy of 1966 outlined a five-year program that was no more than modest. But it now seems that some of the main proposals in this White Paper have been quietly shelved.

Post-war New Zealand governments have been hypersensitive to what they took to be public opinion on various defence issues, when sturdier and more consistent policies might not have lacked support. Conscription gained a large majority in a 1949 referendum; yet it was greatly diluted within a few years. We sent a battalion to Malaya, but only after the worst of the Emergency was over. Our Korean contingent was numerically strong in proportion to our population compared with other contingents; but it consisted of gunners and Army Service Corps men who were not likely to suffer many casualties. Our first Vietnam combatant force, dispatched with evident reluctance and embarrassment, was less than a battery strong and it is only recently that infantry have been added. Since 1945 we have met our obligations abroad on the cheap.

On the Vietnam war itself there is, of course, a variety of opinions. The government's own explanations and justifications suggest that our commitment was less a product of careful evaluation of the war in relation to New Zealand interests than a response to American pressure and a realisation that we must somehow concert our policies and actions with those of Australia. A justification in those terms, cogently expressed, might have been politically successful; but it was not attempted. On the other hand, the politicians might be correct in assuming that New Zealanders are not yet ready for such explanations - not yet adjusted to their utter dependence on Australia and through it on America.

At the administrative and service level our defence relations with Australia, unequal though they are, are now more cordial than ever.

8 Evening Post (Wellington), 11 May 1966.
before and probably closer than in any other sphere of government. In the past three years they have improved considerably. The principle of compatibility of equipment, organisation and methods is now operative, though the reality has not yet caught up with it. The aim is now to procure identical equipment and in those cases which do not involve major economic and therefore political considerations this is close to being achieved. It can, however, be a humiliating process for us. Our choice for a STOL (short take-off and landing) aircraft for the Royal New Zealand Air Force was the Helio-Courier; but the announcement of a different Australian choice has led to a reconsideration of this. Joint evaluation teams are one solution, and in the case of a jet trainer aircraft this has been tried. In some spheres New Zealand can scarcely avoid following Australia. If the joint services' defence college at Duntroon becomes a reality, it must have a profound effect on New Zealand service training and education. But in some spheres New Zealand must look beyond Australia to America, the major ally of both countries. Unless America integrates her defence services our forces are too small to be integrated at home and then 'de-integrated' abroad for co-operation with American forces. In this field, at least, we have to sit on the fence until the prospects look clearer.

Until about three years ago, the Australian defence services, perhaps expressing a burgeoning sense of nationhood, displayed a highly experimental - even whimsical - approach to equipment and organisation: Italian guns, French radio sets, special computer programming, tanks modified greatly for Australian conditions, and so on. The Australians felt competent to improve anything that was offered or to reject what major allies had accepted. There was much political intervention in procurement, as there must be, but of a kind that took no account of New Zealand requirements, and neither politicians nor service departments seemed responsive to New Zealand suggestions. On our part our procurement had to be geared to what was needed for the Commonwealth Reserve. But times have changed. The strategic situation has darkened. In many cases the Australians now have to take what is on the shelf: the American shelf. The likelihood of aberrations like the choice of the Mirage aircraft is probably diminishing. Though the replacement of our ageing Canberras is a matter of urgency, our slender financial resources are unlikely to allow us to buy Mirages, and will certainly not extend to F-111s.

The strategic situation that both countries face is anything but clear. Nobody at the moment directly threatens either country. Communism
may be regarded as a general threat; but in reality it is a series of
different, though related, threats, not all of them serious. What seems
to me to be the greatest danger is the propensity of communist powers,
the Soviet Union especially, to stir up trouble by equipping quasi- or
non-communist countries with modern armouries in circumstances
calculated to cause trouble for the West or its clients. The Soviet
Union has already done this in four outstanding cases: Cuba, Egypt
(and other Arab states), Somalia, and Sukarno's Indonesia. When we
realise that Somalia with its nomadic tribesmen has today equipment
of a high level of sophistication, that Egypt was credited with 163 MiG
fighters when Israel attacked in June 1967, and that Indonesia has had
some of the most sophisticated Soviet equipment, we can see how
unpredictable our situation really is. Who is going to be the next to be
built up in this way? When will China be able to join this expensive
game? One might have thought that the Russians had learned their
lesson in the Middle East; but they are currently arming Egypt once
again.

Because we do not know what will happen, we have to do the best we
can, building up our own defence forces, strengthening our ties with
our American ally, constructing whatever alliances seem appropriate
-if any - and so on. Outmoded alliances and pacts are dangerous and
should go. Does SEATO serve any real purpose now? Does it give
classified information to lukewarm or unfriendly powers like France
and Pakistan who might pass it on to even less friendly powers?

Clearly there is scope and need for further co-operation between our
two countries. The production of the FN rifle is one example of a
defence project that effected savings for both and might have been
uneconomic without collaboration. But two other projects seem to our
defence experts to be little more than catch-phrases, possessing a
certain political appeal but unrelated to the realities we face. They
are 'unification' and 'integration'. 'Unification' of our three services,
presumably along Canadian lines, offers no immediate economies: on
the contrary, it would cost more money. But even in the Canadian case
it is something of a chimera. The Canadian omelette has to be
unscrambled for practical purposes in NATO and elsewhere. The
savings allegedly effected are somewhat arbitrary. Staffs and overheads
have in some cases been cut down because they were ordered to be cut
down, not because 'unification' made this possible. Neither Australia
nor New Zealand can afford this sort of jiggery-pokery when in all
foreseeable practical situations they will operate with allies whose
forces are not likely to be unified. 'Integration' between Australian and New Zealand forces is a similar pipe-dream. It could come to pass only if preceded by political integration; but a sovereign state must retain control of its armed forces and cannot pass them over for all purposes to the control of an ally, however close their relations might be. In terms of willing co-operation we have gone a long way and are opening up new ways as time goes by; but 'integration' is a different matter.

My final points are that this co-operation could go a good deal farther if two considerations are met. The first is that on the Australian side there should be less 'cussedness' and disregard of New Zealand interests - a greater readiness to hear our views before decisions are made affecting both of us. More steps like our joint evaluation of trainer aircraft would help, especially if the politicians on both sides kept in the background. On our side we need less parsimony in defence procurement and other outlays. Our problem in the army at the moment, for example, is not manpower but money. It costs $6,000 per man per annum to keep a force in South-east Asia and we could put more men there if we had the money. Is it really true that we cannot afford modern aircraft when almost every household in the country has a cupboard full of half-used medical prescriptions with a high import content provided free through social security? Defence expenditure which causes checks on economic development, we are told, is self-defeating in the long run. But can we believe that defence cuts are used to enable development to go on when we see what non-developmental goods - outboard motors for example - are imported?

It is a difficult, dangerous, and unpredictable world in which we live. We cannot be sure of continued American commitment in our part of the world. We do not know how China is going to use her growing strength. We do not know where trouble is going to break out next. Our armed services are doing what they can with the resources allotted. But many of the so-called underdeveloped countries are better equipped to defend themselves than we are to defend New Zealand.

Discussion

Apart from officials and elected policy-makers (according to New Zealand participants) very few New Zealanders are knowledgeable
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about or even interested in foreign policy and defence issues. They have little sense of the need for defence, and thus for defence spending. This is partly due to a general acceptance that it is the responsibility of the government to take the important decisions, and if you support the government you support whatever decisions it takes. For its part, the government gives an inadequate lead to the public on these issues. There is little parliamentary explanation or discussion of defence policy, little examination of options available, or of the effort and sacrifice that may be needed. Ministers are not always ready to speak to the press, and when they do they appear unwilling or unable to discuss questions with any degree of sophistication. Channels of communication between Defence or External Affairs and the press or the broadcasting media are not formalised in a way that they would be in other English-speaking countries, and the departments show only slight interest in breaking these barriers; the same is true (with one or two exceptions) of the news media. Public apathy and ignorance are thus reinforced. There is no clarity as to national goals. A policy-influencing élite scarcely exists. And once a decision is taken (such as committing troops to Vietnam), the formal public debate is closed. One cannot thus speak of 'New Zealand's' attitudes to the world around it except in terms of government policy and support or criticism from one or two newspapers, a small number of intellectuals, and some interested groups.

Until early in World War II, the government's view, generally accepted, was: 'Where Britain goes, we go'. This has begun to change, especially with Britain's impending withdrawal. In recent election debates, the focus was on whether New Zealand should be in Vietnam or not; other larger issues, which determine or explain foreign policy, were scarcely discussed at all. This reflects New Zealand's sense of smallness, the idea that whatever it does, it is doomed to be a pawn in a game conducted by the great powers; New Zealand can have no general influence or impact in Asia. The 1966 New Zealand Defence White Paper states that a major purpose of New Zealand's defence policy is to demonstrate willingness to assist in matters affecting the national interest of its allies. However, it is questionable whether New Zealand should be so tied to the United States as to lose all flexibility in its policies towards Asia.

Yet, is it true that New Zealand has no impact? Some observers feel that current New Zealand policy must antagonise Asian governments and peoples, making an enemy (for example) of Communist China with
whom New Zealand may wish to trade. This has yet to be proven. In most of South-east Asia, the activities of Australia and New Zealand in Asia are watched with interest and sympathy. In the area of which Singapore is the focus, there is considerable unease about the withdrawal of Britain, which has been seen as a stabilising power between the two giants, China and the United States. The role of Australia and New Zealand is thus potentially more important, and almost all the states in the area, including Indonesia and Cambodia, are anxious that the Anzac powers play a larger part in it. These countries see China as a racial and a political threat, rather than a military danger. They are anxious about Japan as a rising economic power; and a prime motive of the Association of South-East Asian Nations (ASEAN) is to resist Japanese domination of the region.

New Zealand has a long history of dependence, and Britain's withdrawal should force a re-examination of the whole situation in South-east Asia, New Zealand's role there, and its relationship to the United States. Most New Zealanders, including officials, believe that their participation in the Vietnam war is to store up American goodwill against an emergency when it may be needed, yet American promises are nebulous. Surely they could be made more concrete, or they will be at the mercy of changing American public opinion. Vietnam is strategically a side issue for New Zealand: the commitment there has been at the expense of commitments closer to its heart. After Britain's withdrawal, it is hard to see how New Zealand, or even Australia, could continue to divide its efforts between two competing, and in some ways conflicting, commitments in South-east Asia.

How does New Zealand see the region in which it lives? The changes in Asian politics over the past twenty years have affected New Zealand attitudes, forcing official opinion into thinking about Asia and New Zealand's relationship to Asia. China is seen as a part of this region, and of pressing importance, politically, strategically, philosophically. China, because of its size and power, is bound to affect what happens in the rest of Asia. South-east Asia - not so much Indo-China, or even Thailand, but Malaysia, Singapore (with its base facilities), and Indonesia - is of particular importance to New Zealand. Yet events in Vietnam will affect the rest of Indo-China, and thus Thailand, and so Malaysia and Singapore, though perhaps not through any automatic tumbling of 'dominoes'. In such a situation ideas are important, but they seem to spread all the faster when there is a man with a gun behind them. As it happens, people in South-east Asia are more inclined to
accept a domino theory for their region than are people in New Zealand, Australia, or the United States.

The situation in Vietnam will continue to be difficult. If the United States 'wins' (in a military sense), North Vietnam will still exist, completely hostile to the South. This would be a precarious peace. Settlement by negotiation could well be followed by a collapse in the South, where the political and economic situation is not conducive to good government. There are warring cliques among the religious groups, the armed forces, trade unions, students, and intellectuals. The North is more disciplined, has more unity - achieved perhaps by force or pressure, but it is there. To continue the war will create pressures in the United States for American withdrawal, on account of cost, casualties, and growing doubts as to what the conflict is achieving. A final alternative - to intensify the war - is most dangerous of all, as one cannot tell where it would stop.

For communist insurgency to succeed, there must be the right local conditions. Poverty is not necessarily a pre-requisite, nor does poverty inevitably promote communism; but an intellectual élite capable of assimilating communist ideas is needed, as well as grievances against a corrupt or inadequate government. Communism usually rides on the bandwagon of nationalism, and nationalist feeling is easiest to encourage where there is a homogeneous population.

Which is the greatest danger to peace in the region - North Vietnamese expansion, or Chinese expansion? The French (and others) have argued that a united Vietnam is more likely to be an obstacle than an aid to Chinese expansion. This cannot at present be proved one way or another. We do not know the limits of Chinese ambitions - perhaps the Chinese would be satisfied with having friendly states along their borders. We do not know the extent to which Chinese actions are reactions to American pressures. Clearly we must be realistic and not unduly optimistic.

New Zealand has yet to develop any conscious priorities in defence and foreign policies. If there is an order of concern, it begins with China, then South-east Asia, then the south-west Pacific. China is considered a threat, but only in a vague, general way. China may never threaten New Zealand's security. Yet in determining New Zealand's policy, the government may hope for the best but must prepare for something near the worst possible situation.
There is not much press or parliamentary speculation within Australia on the likely sources of external threats to her physical security, how such threats could be minimised, or how short-term threats relate to long-term threats. It is also possible that the Department of External Affairs has not given much attention to the subject either, although the Minister assured Parliament in August 1967 that a reappraisal of some of the assumptions behind Australian foreign policy was under way. Given the very reactive nature of Australian foreign policy in recent years and the unfortunate breakdown in communication at times between government and the public, it is not really surprising that this country should have been caught relatively unprepared by the announcement of British withdrawal from Asia.

Australians have always felt themselves highly exposed to risks of external attack. Indeed, it seems to have been part of the routine of colonial governors through the nineteenth century to assail Whitehall with rumours of impending naval attacks by the French, Russians, or Germans. Significantly, the Chinese were acutely disliked but not seen as a military threat until the middle of the twentieth century. The first intimation of an Asian military threat was aroused by the Japanese on the eve of World War I; W.M. Hughes even feared that the Pacific might become a Japanese lake in the inter-war period. Australian

1 Commonwealth of Australia, Parliamentary Debates (C.P.D.), House of Representatives, vol. 56, 17 August 1967, p. 207. The Department of External Affairs has never supported a large or influential policy planning office.

hostility to Japan aroused during World War II lingered into the early 1950s, but current preoccupation with Mao's China seems to have buried (temporarily?) both the animosity and fear. Nevertheless, I suspect that many Australians are a little uneasy about Japan's potential leadership role in South-east Asia. The worst that could happen for them would probably be a Sino-Japanese alliance.

The China threat is apparently diagnosed in very stark and simple terms by the rank and file of Australians. This is of course a very difficult claim to substantiate, but Henry Albinski's careful study of Australian attitudes to China would suggest that there is a widespread fear of direct Chinese invasion of Australia. Such fears have been fed by highly coloured electioneering literature distributed by government parties and the Democratic Labor Party. Discussion of the possibilities of Chinese hegemony being exercised after successful insurrection throughout South-east Asia, especially a South-east Asia devoid of Western Great Power protection, is apparently considered too difficult and complex for the layman to follow. Government may privately justify its military policy in Asia by reference to the latter possibility, but it suits it to allow much of the electorate to rationalise policy on the threat of direct invasion. One thing about public attitudes seems reasonably certain: small (7-10 per cent) though the D.L.P. vote might be at federal election time, its foreign policy spokesmen express views which most Australians are predisposed to accept, especially on the China question. Most would also agree with Mr Hasluck himself that 'the central problem in regard to security is essentially that of the massive and persistent pressure of Communist China on the region'.

This discussion concerns Australian attitudes to the countries and oceans girding her on three sides. It is significant but no doubt very obvious that since 1942 the approach considered most vulnerable has been the Malaysian archipelago, largely because (i) the potentially dangerous Asian powers would travel via this route; (ii) the Indian Ocean has been securely in British management and the Pacific under American management, and (iii) a more recent consideration, the new nations around the archipelago are themselves susceptible to subversion and even insurrection, which, if successful, would encourage Chinese and/or Indonesian hegemony. One broad assumption

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of all major Australian political parties has nevertheless been that Australian military commitment to the defence of this region can be justified only if it is made in conjunction with a Western Great Power ally. With one of these Western allies about to withdraw from the region and the other possibly unwilling to fill the vacuum (if such it be), a major reorientation of Australian politico-military policy may well be made in the near future. We now have to consider the feasibility of Australian and New Zealand commitments in Asia made independently of U.K. or U.S. guarantees.

The Prime Minister, Mr John Gorton, has already intimated on Australian television that, except in partnership with an Anglo-Saxon Great Power ally, Australia cannot consider itself an Asian 'power' in the strict sense. The Prime Minister did not, of course, suggest that Australian political identification with Asia was likely to lessen. On the other hand he did not reiterate a cliché popular in press, academic, and church circles, that Australia 'belongs to Asia'. Even an American Assistant Secretary of State instructed a summer school of the Australian Institute of Political Science that 'Australia lies in Asia'. This slick talk can be mischievous and misleading. It is true that the past five years have witnessed a crash program inside Australia of familiarisation with Asia, and all political parties are agreed that Australian diplomacy in Asia must be accorded special priority. But J.D.B. Miller is surely right to assert: 'Asian life is not our life; only the top layer is susceptible to our contact. Traditional Asia has little to offer us... No matter how much our politicians and pundits may tell us we are now part of Asia, we are not likely to develop Asian characteristics.'

Unfortunately, the clichés are frequently chanted by people who want identification with Asia to be the substitute for an Australian alliance with the United States or the United Kingdom. Moreover, 'the whole question of the Asian relationship vis-à-vis the American alliance is generally seen by the Asian-oriented minority as a moral issue and not a foreign policy one'.

As a ten-nation region of 200 million Asians, a region notoriously prone to border disputes and minority problems, South-east Asia has so far achieved little success in experiments at political or military


6 Philip Darby, 'Dependence as the Key to Australia's Defence and Foreign Policies', unpublished paper for Institute of Commonwealth Studies, University of London, February 1967.
alliances. In Australia there is no uniformity of thinking outside the
government, and possibly none inside it, as to the kind of South-east
Asian regional grouping that would best suit Australia's security needs.
There is apparently little or no desire in government circles to see
Australia belonging to a collective defence treaty which completely
excluded Western Great Power participation or guarantees, although
the Leader of the Opposition argued recently that Australian security
was not dependent on the continued presence of U.K. or U.S. power
on the Asian mainland. Of the two non-military groupings involving
South-east Asian states, the Labor Party would probably prefer
Australian association with ASEAN to any development of ASPAC. In
Mr Whitlam's words: 'Indonesia is the authentic voice of this region.
Taiwan and South Korea are not.'

A very vocal and persistent right-wing lobby led by B.A. Santamaria
has urged Australian initiative toward the creation of a Pacific
Community or Confederation of Anti-Communist States extending from
Japan to Australasia. ASPAC is the closest approach to this concept
which any Australian government (or any Japanese government for that
matter) is likely to permit for some time yet.

Some newspapers have raised the possibility of including Indonesia
in a revised ANZAM agreement for the Malaysian area, but neither
the Indonesian nor Singapore governments are likely to favour such
a plan. SEATO is no longer regarded as a very specific guarantee to
Australian defence, but there is little pressure to see it abandoned,
and many commentators now concede that for a decade SEATO did
provide an appropriate context for increased American commitment
to the region. One Australian newspaper recently appealed for a
re-vamped SEATO (under a new name) which would include Malaysia,
Philippines, Indonesia, and Thailand, but this development is unlikely.
Whatever new defence arrangements are formalised within the next
year, it is fairly evident that the three areas of Australian concern
- Indian Ocean, Malaysian archipelago, and the South-west Pacific
island territories - will be bracketed together more purposefully by
defence and foreign policy planners than ever before. A quick survey
of some of the factors involved in Australian attitudes to these particular

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8 Ibid., p. 220. ASEAN refers to the five-member Association of South-East Asian
Nations, formed in 1967, and ASPAC to the nine-member Asian and Pacific Council,
formed in 1966.
areas, both the constants and variables, will now be attempted.

Indian Ocean

T. B. Millar has made the point very well that, except during World War II, Australian governments did not evince much interest in the Indian Ocean or the defence of Western Australia until 1965, and this notwithstanding that even as late as 1965-6 46 per cent of Australia's export trade was routed across the Indian Ocean and 56 per cent of her imports. These percentages are diminishing with the rapid growth of Australian-Japanese trade and the steady growth of trade with the United States and South-east Asia via Pacific routes, but the Indian Ocean will remain a vital thoroughfare for Australian trade for many years to come. Several factors could reduce the strategic importance of Australia's Indian Ocean trade routes, especially north of 30°S. latitude. The first would be permanent closure of the Suez Canal and the redirection via the Cape of trade with Europe; the second would be a reduced Australian dependence on petroleum imports from the Persian Gulf. Some 60 per cent of Australia's current consumption originates in the Middle East, but increased Indonesian supplies and fresh commercial discoveries inside Australia would modify this dependence on imports from politically turbulent and militarily vulnerable sheikdoms 8,000 miles away.

Much of Australia's past lack of concern about Indian Ocean defences was of course due to Britain's firm control of her chain of traditional island bases from Aden to Singapore, to the absence of hostile powers on the littoral, and to the absence of Great Power navies in the ocean itself. The Western Australian press and a few parliamentarians have agitated for the establishment of a British or Anglo-Australian naval base at Cockburn Sound, south of Perth, especially since the late 1950s (becoming very vocal at the time Singapore received internal self-government, when it looked as if the People's Action Party would try to embarrass the British).

This paper is concerned primarily with Australian attitudes to countries and strategic areas, not with the feasibility of any particular defence plan. It is therefore relevant to mention that most countries actually on the Indian Ocean littoral present no threat to Australian interests. Potentially unfriendly states could be named on the East

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African seaboard and in the Persian Gulf area, but they are not likely to threaten us, and their own regional problems are not likely to implicate Australian governments. Southern Africa is likely to remain friendly, along with the Indian subcontinent and Ceylon. Indonesia presents the biggest question mark, and will be considered presently. There remains the possibility of intrusion into the ocean by the navies of unfriendly Great Powers: part of the Soviet fleet is apparently already there, but the Chinese Navy would find it difficult to gain permanent access unless it were in full control of a littoral state, Burma for example.

Malaysia and Singapore

Several observations can be made about Australia's relations with Malaysia and Singapore. Firstly, all major political parties, a majority of press and academic commentators, and probably a majority of rank and file Australians, seem more willing to be militarily committed to these two countries than to any others in the region. Secondly, they are more intimately acquainted with the peoples and cultures of these states and more easily drawn to them by cultural and ideological affinities. In fact, Singapore and Malaysia have long been and are likely to remain Australia's pieds à terre in Asia. The sentiment is due primarily to the shared legacies of a British colonial administration - especially the English language, but also recognisably similar institutions of law and particularly government, together with common approaches to education. It stems too from associations in World War II and the Emergency; and finally from Commonwealth membership, with its accompanying idealism and facilities for regular consultation at prime ministerial level.

These several influences have since been reinforced by the steady flow of students into Australia (well over 6,000 at present) and the high concentration of Australian Colombo Plan aid into Malaysia and Singapore, by agreed appraisals of Indonesian expansion (1963–5) and subsequent collaboration in resisting konfrontasi, by vigorous personal diplomacy, by warm public response to the PAP government of Singapore and to Lee Kuan Yew in particular, and by shared attitudes to the respective roles of United Kingdom and U.S. military presences.

10 These are expanded in my book of documents and commentaries, Malaysia and Singapore in International Diplomacy (Sydney, 1968).
in South-east Asia, reflecting to some extent a common abhorrence of Chinese policy towards the region. I should emphasise that almost every factor mentioned above applies with almost equal force to New Zealand-Malaysian relations. There is perhaps less preoccupation with Malaysian affairs in New Zealand public discussion than in Australia, and New Zealand's military aid to the Malaysian area has of course been slighter. An American scholar suggested in 1964 that New Zealand enjoyed a better public image in Malaysia than Australia did, but I suspect that there is not much to distinguish between the two.

What factors could produce a deterioration or readjustment of these relations in the next few years? Possibly some of the following:

a. A change of government in Kuala Lumpur or Singapore. Elections are due in Malaysia during 1969 and in Singapore before then. Present indications are that both the Alliance and the PAP will retain their electoral dominance, but the PMIP is not losing electoral support in the north-east or north-west, and the left-wing Chinese Labour Party could muster strength in the western urban areas. Such eventualities would be less likely to result in outright defeat of the government than in modification of government policy, especially policy to Indonesia and Singapore.

b. Changes of leadership in Kuala Lumpur or Singapore. It is highly probable that Tunku Abdul Rahman will retire before the 1969 Malaysian election. His designated heir is Tun Abdul Razak, already familiar to Australians from two recent visits. Razak will be a strong cabinet leader, but many otherwise sympathetic observers feel that he will be less conciliatory in the delicate area of race relations than the Tunku, and accordingly susceptible to influence by the more extremist anti-Chinese Malays, or for that matter, anti-Western Malays in his own party, UMNO.

c. Renewed quarrel between Singapore and Malaysia. Co-operation between these two governments is still very much a personal and haphazard affair, and the retirement of Tunku Abdul Rahman in 1969 would remove the most conciliatory Malay figure in Malay-Singapore relations. There is little evidence that Lee and his cabinet would defer to Razak as willingly as they have to the Tunku, although both Razak and Lee are accustomed to adjust quickly (by stern necessity) to

12 Since this paper was written, the Singapore elections returned the People's Action Party for a further term.
changing circumstances. Australia and New Zealand could not participate in a highly integrated five-power defence agreement if political co-operation were not possible. There could be no repetition of the events of March 1966, for example, when Singapore withdrew from the Combined Defence Council.

d. Racial violence and/or economic crisis. Malaysia faces the more acute problems of race relations, but Singapore stands to lose more economically from the British withdrawal from South-east Asia than Malaysia, and is more vulnerable to left-wing subversive activities than is Malaysia. A continued rise in Singapore unemployment figures would help swell the ranks of left-wing subversives, and a sharp slump in rubber or tin prices on the world market could disaffect a large section of the peninsular Malaysian labour force.

e. Secession by or chronic unrest in the Borneo states. Instability already exists and references to secession have been made with disturbing frequency by leaders of powerful opposition parties in Sarawak and Sabah. Opposition parties are much stronger in these states than in Malaya, and it is disturbing that the backbone of the Alliance coalitions in each Borneo state consists of Borneo Malays, while the opposition parties enlist most of their support from the Chinese and Borneo natives.

f. Resurgence of guerrilla communism, due possibly to withdrawal of the United States from Vietnam or to deteriorating economic conditions inside Singapore-Malaysia. This is not an immediate probability, although an American volte-face in Vietnam would reactivate indigenous communist movements right through South-east Asia. Meanwhile, it is reported by Denis Warner that communist guerrilla forces are building strength along the Malaysian-Thai border. Until last year estimates of their strength in that area ranged from 500 to 600. The figure now quoted is 5,000.13

Indonesia

Official Australian policy to the post-Sukarno régime is benign, but the government would be entitled to some private anxieties about the future course of Indonesian foreign policy. Official comment on

13 T. B. Millar (ed.), Britain's Withdrawal from Asia: Its Implications for Australia (Strategic and Defence Studies Centre, Australian National University, 1967), p. 27. Mr Warner made clear at the conference when he gave his paper that that figure was an estimate, and that the actual number could be less.
Indonesian politics since Sukarno has been very sparing, and no regrets were expressed (publicly at least) at the scale of the slaughter of Indonesian communists or alleged communists in 1965-6. Australia was prompt to resume, and indeed increase, its foreign aid allocations to Indonesia after June 1966, and ministerial visits have been exchanged. Leaders of all Australian political parties would probably still rate Indonesia's threat potential as very high indeed, though it would be difficult to guess whether these spokesmen would consider aggression by Indonesia herself or aggression by a major power via Indonesian territory as the more possible occurrence. In late September Senator Gorton told a questioner in Parliament that he could envisage Indonesia as a threat only if that country were overrun by communism or Communist China.¹⁴

There is no reason to suppose that a right-wing military régime could not eventually revive an expansionist foreign policy, especially if a national solidarity-making exercise is needed. The military were, after all, ardent supporters of the forcible seizure of West New Guinea, of the later confrontation with Malaysia, and of other crude manifestations of Sukarnoist ideology. To many Australians, perhaps the major improvement to Indonesian foreign policy under the military régime has been the rupture of the Djakarta-Peking axis. This rupture represents a very serious scaling-down, if not a total elimination, of the short-term Indonesian threat to Australia. Raw material for Australian-Indonesian friction nevertheless does exist, notably in the contiguity of their New Guinea territories, and in Indonesian Borneo.

Boundary disputes in New Guinea are perhaps avoidable, since a joint government survey is already in progress. Far more problematic will be the spread of ideas, arms, and subversive personnel across that boundary. Requests for political asylum by West Irianese refugees have already reached the Australian Administration, and if Irianese rebellions against the Djakarta government gain momentum, the flow of political refugees will surely increase. Conversely, will not the granting of independence to Papua-New Guinea foster pan-New Guinean political sentiment? How would an Australian government respond to such sentiment?

The Borneo states are uneasy members of the Malaysian federation, and dissident if not outrightly secessionist opinions can be cultivated without much difficulty. Several thousand guerrilla subversives are

lurking on the Indonesian side of the frontier, and even though the Indonesian government is currently co-operating with the Malaysians in hunting them down, fears abound in some Malaysian circles that the Indonesians could just as easily use these subversives to extend their own influence over the east Malaysian states. An immediate question for Australian policy planners is whether to accept a military commitment to defend the Borneo Malaysian states against a second, perhaps muted, konfrontasi.

Yet another, and perhaps more immediate, issue of possible embarrassment to Australian-Indonesian relations is the Suharto regime's continued persecution of Indonesia's Chinese minority. The predominantly Chinese city-state of Singapore can never repose complete confidence in Indonesian regional leadership so long as this Sinophobia persists, for it encourages militant pan-Malay or Indonesia Raya sentiment in Malaysia itself. Such sentiment would be in accordance with the old Maphilindo concept but not with the spirit of ASEAN.

I have considered briefly the current condition of Australian relations with the three countries within the Malaysian archipelago. There is still the question whether fringe countries with which Australia is already allied will continue to be of primary importance to her. Official statements on forward defence planning have been rather vague about this. During the debate surrounding Australia's decision to station troops in Malaya in April 1955, it was certainly not suggested that Thailand and the Indo-Chinese peninsula were as vital as the Malaysian area, even though the prospects of a communist victory in Vietnam were then very real.

The dramatic upsurge of official interest in Vietnam from late 1965 was not immediately accompanied by widespread public interest. Vietnam had never featured prominently in Australian history, diplomacy, or tourism. There was no shared language or political tradition. Public concern for the fate of South Vietnam had to be generated by a crash program of official press publicity. Even now, while some 8,000 Australians are on combat duty in South Vietnam, there is scarcely the popular sympathy for South Vietnam's government that there is, say, for Malaysian or Singapore leadership.

My own view is that, after a peace is negotiated, Vietnam ought not to be considered a key element in Australian forward defence planning. Its present relevance for Australian defence is indirect - in that an American defeat would reduce the credibility of American commitments
throughout the remainder of South-east Asia and Australasia. Australia's quite successful diplomacy in both Cambodia and Laos should perhaps be noted in this context. It emphasises the possibility of our maintaining friendships with countries which are themselves estranged (e.g. Cambodia and Thailand), but it also raises the question of what Australia's response might be should a unified Vietnam adopt an expansionist policy against Cambodia and/or Laos, a policy quite consistent with Vietnamese history.

Thailand and Australia have developed a cordial relationship in the past decade, and there are apparently no major differences of approach to key questions affecting collective security and great-power involvement in the region. But the public image of Thailand in Australia is not a flattering one; it is only ten years since Dr Evatt referred to the kingdom as a 'fascist' state which Australia should keep at arm's length, and very few newsmen or academics are admirers of the Thai political system. In addition, our friendship with Thailand has until now prevented Australia from recognising the Thai-Cambodian frontier as currently drawn by Cambodia. Above all, there is an ever-lingering suspicion that Thailand might scuttle the Western alliance in South-east Asia, and make an early accommodation with China. She would presumably do so only if Vietnam and Laos fell into communist hands; I doubt whether this would immediately jeopardise Australia's security, but it would facilitate communist guerrilla activities in the Thai-Malaysian border area.

New Guinea and the Pacific Islands

Public interest in Papua-New Guinea has grown quite dramatically in recent years, and in late January 1968 the Australian Institute of Political Science summer school took 'New Guinea: Future Indefinite' as its theme. Two of the questions without official answers are:

1. When will full independence be granted? The Australian government has so far resisted United Nations pressure to announce a time-table. UN pressure will almost certainly intensify in the next year or so.

2. What form of association will be worked out with Australia? There is not now likely to be any constitutional link, but a treaty covering economic aid and defence will almost certainly eventuate. Whether it will be negotiated before independence or immediately
afterwards, as was Western Samoa's with New Zealand, remains to be seen. As government policy now stands in Canberra, the security of Papua-New Guinea is seen to be as vital as the defence of metropolitan Australia, and the Territory is of course encompassed by the terms of ANZUS. Will it or should it be so encompassed after independence?

New Guinea will probably face problems of instability and subversion which may well implicate Indonesia and Australia in costly friction. Because of the inevitably heavy dependence of an independent New Guinea on Australian economic aid, administrative personnel, and military protection, Australia's role will not be popular with the world at large even under the best circumstances of a transfer of power. If, added to this unpopularity and expense, subversive movements develop in eastern New Guinea which are inspired or fed from West New Guinea, the strain on Australian-Indonesian relations could be very severe. There is the further possibility that Australian acquiescence in Indonesian 'maltreatment' of the West Irianese might sour opinion in the Territory against Australia. Frankly, I think such strains could develop irrespective of whether Indonesia was then in the grip of a left-wing or right-wing government. I am inclined to agree with John Kerr and J. Wootten that Papua-New Guinea should not, after independence, be regarded for military planning as an integral part of the homeland and that any post-independence defence agreement should not commit us to secure the New Guinea republic against risks of subversion. In any event, obligations of third parties to their own commitments with Australia (whether under ANZUS or a revised ANZAM) will need to be known before any long-term obligations are accepted by Australia on New Guinea's behalf. My prediction is that neither the United States nor the United Kingdom, nor any of our Asian allies, will be very eager to accept obligations in this direction. It is also highly unlikely that Australia will be able to supply all the economic aid to which New Guinea will feel itself entitled. Should Australia therefore plan on maximising the opportunities for other prospective donor countries to become involved with independent New Guinea? Kerr and Wootten think it should, W. E. Stanner implies that it should not.

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Neither alternative would seem highly palatable to the Australian public if carefully spelled out in an election manifesto tomorrow! Press or parliamentary discussion of Australian long-term interests in New Guinea has so far revealed very little willingness to relate those long-term interests to combined Australian-New Zealand defence responsibilities for the whole South-west Pacific island chain. Professor Stanner predicted recently that British military interests in the Pacific islands, now negligible, would probably soon evaporate altogether, despite their 'heavy moral obligation' to stay in Fiji as colonial administrators. Professor Stanner is very persuasive that future Australian defence commitments in New Guinea and its associated islands should be linked formally with New Zealand commitments to her former dependencies. 'The arc of islands has been, and could again be, a military entity in an offensive against both of us, and thus from a defence point of view we have to bracket each segment with every other.'

**United States**

The permanence and centrality of the Australian-New Zealand-United States military alliance has been taken for granted throughout this discussion. All Australian political parties except the two small Communist groups are in full sympathy with the objectives of the alliance, although several sophisticated commentators and lobbyists are fearful of too close a cultural identification with the United States and too indulgent a policy towards American capital investment in Australia.  

The United States has yet to make any public announcement of what Asian policy it might expect from Australia in the light of Britain's projected withdrawal. Roger Hilsman told an Australian audience early in 1964: 'Let me assure you of one thing. The increased participation of Australia in the growth of a Pacific community would do much to avert any danger of flagging U.S. efforts in this region.' No doubt this invitation would be reiterated by Hilsman's successor in the State.
At least four threats to the smooth working of Australia's alliance with the United States are possible in the next few years:

a. a swing to isolationism in the United States after the presidential elections or after a negotiated settlement in Vietnam, or, if nothing quite as drastic, perhaps a withdrawal of land and air forces from the Asian mainland;

b. a preoccupation with mainland Chinese communism and a relative unconcern about other expansionist nationalisms in the region (e.g. Indonesia's);

c. a preoccupation with Pacific naval defences and a relative neglect of the Indian Ocean area (admittedly less likely since opening of the U.S. Naval Communication Station at North West Cape);

d. an attempt to commit Australian forces more heavily and more permanently on the Asian mainland beyond the Malaysian area, e.g. in Thailand or Laos.

I want to make two final comments about present day Australian-American relations. Firstly, the Australian commitment in Vietnam has not alienated Asian governments or Asian pressmen to anywhere near the extent that was feared (and is still sometimes easily assumed) by the Asia-oriented left-wing critics of Australian policy. Secondly, there seems to be growing conviction among many sensitive Australians of all political parties, including quite ardent supporters of the Vietnam commitment, that their government should occasionally strike a different public posture from the United States in foreign policy matters - if only to give the appearance of independent thinking in Canberra and willingness to seize the initiative.

Discussion

Intentionally or otherwise, the Australian government gives the impression at times that it can store up a credit balance of goodwill in the United States by acts of generosity in the field, for example in Vietnam. This is different from trying to tie the United States militarily to the defence of South-east Asia, which is Australia's objective. If there is confusion between these two aspects, it is mainly due to the fact that cabinet - caught off-balance in election campaigns - has done little to remove public misunderstandings. History may not justify
placing any great confidence in the 'insurance policy' approach. Until now, it has not been necessary to consider South-east Asia as a unity in defence planning and diplomatic activity. Britain saw its commitment as primarily related to the Malaysia area; its help in the rest of South-east Asia has been largely symbolic. Australia has had wider preoccupations, but perhaps now, with Britain’s withdrawal, Australia should confine its involvement to Malaysia and Singapore, difficult though this may be, and inform the United States accordingly. Looking at the situation objectively, Indonesia, despite its economic and administrative problems, can still be regarded as potentially the most immediate threat to Australian security, even though it would be most unwise for the Australian government to say this, and perhaps unfair to the Suharto administration.

In Malaysia and Singapore, there is an easy concert between Australia and New Zealand. In Indonesia, the two states present similar policies but slightly different images; therefore, co-operative diplomacy should be profitable. Elsewhere there can be a useful division of diplomatic labour between them. Australia focuses its diplomatic effort in Laos and Cambodia more than New Zealand does, and can thus provide useful information. At the United Nations, where New Zealand is no longer on the Trusteeship Council, it could lobby sympathetically on behalf of Australia. Closer to home, should Australian policy in New Guinea conflict with Indonesian policy, perhaps New Zealand could mediate or act as a moderating influence, as it would not have interests of its own conflicting with those of Indonesia.

Both countries need to be alert to Soviet policies in the region. Soviet military aid to Indonesia could determine whether it again becomes a positive threat or not. The Soviet Union is also active - if less so - in Malaysia and Singapore. It has been buying up Malaysian rubber. Singapore has negotiated a trade agreement with the Soviet Union, and has announced its intention of sending an ambassador to Moscow.* Fortunately, Australia and New Zealand are aware of Soviet and Eastern European activity in the area, because of their good relations with Malaysia and Singapore. Can it be assumed that these good relations will remain? National attitudes and public opinion are sometimes more fickle than we realise or would wish.

Whatever the precise causal relationship, Australian and New Zealand policies towards Asia have been very much a function of American policies, and it is reasonable that the two countries should seek to purchase a measure of influence on American policies. This

* Malaysia has diplomatic relations with the Soviet Union.
may some day be of considerable importance in the defence of Australia; it could also be very relevant to American attitudes to a resurgent Japan. Yet are Australia and New Zealand, by being in Vietnam, helping defend American national interests? Is the United States in Vietnam on behalf of American national security? Only in an indirect way. Even if the whole of South-east Asia became communist, continental America would not be threatened, although if the United States backs out on its commitments in South-east Asia, its credit elsewhere would be affected. The United States is fighting to preserve the security of a world-wide western system, defined primarily in ideological terms. It is trying to prevent 'Communist aggression and expansion'. It is not there out of concern for the interests of Australia and New Zealand, even though Dean Rusk has pointed out that we stand to gain more from the American presence than the United States does. In Britain, one of the arguments for withdrawal from South-east Asia has been that the area must come to its own internal balance of power, and that this is a political rather than a military process in which any outside interference can only be temporary. Is this valid, or is it understandable rationalisation of a decision taken for other reasons? And who is to define the limits of the region? Is China inside or outside? And what of Japan, or Australia?

A case can be made for Australia's coming to terms with its own regional problems by: (a) withdrawing from Vietnam, attempting to mobilise local nationalisms to resist Chinese influence; this means adopting an 'off-shore' or peripheral strategy, and encouraging the United States to do the same; (b) conceding Indonesian primacy in the Malay area; this would probably involve taking Australian forces out of Malaysia and Singapore.

Yet from Australia's point of view, commitments to Malaysia and Singapore are of a different kind from those in Vietnam. Britain had several objectives in the area: to protect Malaysia against Indonesia, to protect the Chinese from Malay attacks; to ensure the integrity of Singapore; to protect British investment. Australia cannot take over any of these in its entirety. But Australia has helped establish the present situation, has involved itself over a period of nearly twenty years in the security and welfare of the two states. It cannot now easily disengage itself. Britain is withdrawing primarily because of economic reasons. Australia does not have Britain's economic problems. A continuing Australian military presence in Malaysia and Singapore would help both countries to feel more secure. It would help give them a sense of regional stability, enabling them to resist communist
insurgencies in northern Malaya or eastern Malaysia. It would add to Lee Kuan Yew's determination to maintain a progressive pro-Western government in Singapore. Such a government is by no means automatically assured. One could envisage a situation developing whereby Singapore became, within a few years, a Chinese base from which Chinese submarines operated into the Indian Ocean.

Australian troops should not be used in urban counter-insurgency operations, but they could be valuable in rural areas, and in helping to train Malaysian forces. They could not take over the main burden of anti-Communist activities; they must not become involved in communal conflict. An Australian presence will also affect the way in which future Indonesian leaders will look at the area. It might even save them from the disastrous results of their own unwisdom, especially from the consequences of policies which were actively promoted in the Sukarno period and are now not wholly dormant, of 'crushing the Chinese in Malaysia and Singapore'. It would be a far more difficult operation - politically and logistically - for Australia to send forces back to Malaysia to defend it against Indonesian threats, than to leave them there. If Indonesia is offended by a small Australian presence, this must arouse suspicions as to its motives. The Australians are not going to attack anybody. At the same time, Australians must realise that there are problems in disengaging (whenever it may occur) and difficulties in limiting the level of engagement. It should also be determined not to offend Indonesia, but rather to try to bring Indonesia eventually into regional defence arrangements, with Thailand and the Philippines as well, which will alarm no one.

Undoubtedly there are limits to the extent Australia can help Malaysia and Singapore. Their security is primarily their responsibility. A ceiling should be placed on any Australian commitment, to ensure it does not get out of hand. And a commitment is only possible while ANZUS applies. But the two countries are important to Australia strategically because of their location, and in other respects because they constitute Australia's best point of entry into Asia, a cultural and political bridge. It is doubtful whether this would continue if Australian forces were peremptorily withdrawn.

It is questionable how concerned Malaysia and Singapore are about the larger issues of security in South-east Asia, although they undoubtedly feel affected by what happens there. Tunku Abdul Rahman has said that if China invades Malaysia, the Malaysians will not resist: they do not want their country to become another Vietnam. What he is
concerned about is the security of his local area, and Australians and
New Zealanders can help with this, and would be more welcome than
Americans. They may also act as a brake on the Malays of Malaysia,
the Philippines, and Indonesia getting together to harass the Chinese
in the area.

Some observers can detect new factors in Australian attitudes to
Asia. One is a quasi-imperial sentiment, a sense of rising power
and influence based on increased affluence and physical capacity.
Another is of a moral nature, involving loyalty to people in the area
with whom Australians have dealings, and a desire to honour
commitments made to them, for the sake not of the objectives for
which the commitments were entered but of the honour which one's
given word demands.

Indonesia has been referred to as a potential threat to the security of
the region. Is this reasonable? The present government in Djakarta
is right-wing, anti-Communist, and not interested in external adventures.
It is not in any way hostile to Australia. The economy of the country
is in a chaos from which it will take many years to recover. There is
no industrial basis for large-scale military activity. The government
is aware of the problems, and is trying to combat them; it is welcoming
foreign capital and expertise. It is no threat to continental Australia
in the foreseeable future. Given success in reconstruction, continued
unity, active help and able diplomacy by Australia, Indonesia could
even perhaps be considered a 'buffer' state protecting Australia.

The main problem of a 'forward posture' strategy would seem to be
that one is liable to become over-involved, in the expectation of a
future and therefore uncertain benefit. On the other hand, an 'over-
the-horizon' strategy limits one's influence, does not handle the
problems on the ground, and demands extremely expensive equipment
to get powerful, mobile forces into trouble spots when needed.

All academic discussion of defence and foreign policy has a certain
unreality about it. In real life, strategy is an art, policy is a matter
of groping in an uncertain light, the main things we want to know are
difficult to discover, and situations have to be 'played by ear'; abstract
ideas and intellectual arguments tend to become irrelevant, while
simple considerations usually determine policy.

Australia and New Zealand cannot just go home from Asia; they
cannot be uninterested in the political situation in South-east Asia.
Involvement has meant military effort, and will continue to do so for
years to come; but it also makes considerable diplomatic demands on
the two countries, which are not always fully recognised. Britain's departure means that we will be talking directly to the governments of Malaysia, Singapore, and Indonesia in ways we have not had to do - or been able to do - before. Every major decision taken by these three governments on domestic, trade, or foreign policy will affect us. Are we capable of getting across the right kind of advice? Are we ready with our replies?
A country's long-run ability to defend itself depends on its ability to produce goods and services. Of course questions of ability to exchange what is produced overseas, and ability and willingness to divert resources to war purposes, affect the issue. But anything which reduces a country's ability to produce goods and services will also reduce its ability to defend itself.

This paper is given at a time when defence expenditure in New Zealand is suffering a reduction for economic reasons. This reduction comes not long after the Review of Defence Policy (in 1966): 'The additional re-equipment and expansion of defence effort referred to in this white paper foreshadow a sustained higher level of allocation of funds for future defence budgets'. A study of the economics of New Zealand's defence is therefore timely.

The New Zealand economy is small. The total value of goods and services produced in the United States is about 130 times as much as that produced in New Zealand. If the whole of New Zealand's annual production were diverted for defence purposes the present defence outlay of the United States would be more than twelve times as great and that of Britain would be twice as great. So, any major power could swamp any conceivable defence arrangements made by New Zealand. This is the main economic reason why New Zealand's defence planning tends to concentrate on collective defence. It also explains why defence allocations must be based not merely on judgments of the relative value to New Zealanders of expenditure on defence as compared with expenditure on social services, consumer goods, capital formation, etc. but also on the basis of equity between collaborating countries.

The next relevant feature of the economy is that for many years it
has been one of full employment. This means that meeting new defence commitments is not just a matter of paying extra men and buying extra supplies. The men and supplies must be diverted from other uses, so that New Zealanders have to go without some of the goods and services which would otherwise have been available to them. This situation has been modified in the past eighteen months, which have seen a profound change in the economy - more profound than most people realise. For the years from the middle of World War II until the beginning of last year, our average registered number of unemployed was of the order of about 200, very low indeed. It is now 9,000 and I believe it will go a good deal higher still. Consumer spending, so far as we can measure it, is running at present some $2\frac{1}{2}$ per cent below what it was last year in money terms. In expenditure on consumer goods per head it is over 9 per cent lower than it was a year ago. Capital works are down even more spectacularly than consumption expenditure, so that there is a wholesale reduction of demand in the economy. Expenditure reductions have been needed for a very long time; but the change, now it has come, is too extreme. Too much expenditure reduction cuts back production as well as consumption. The defence potential of the economy depends on the ability to produce, and a permanent dampening down of this ability will damage the economy in terms of defence as well as in other ways.

The next consideration is that we are a borrowing economy. New Zealand tends to be in almost continuous balance of payments difficulties and it is now becoming more and more difficult to borrow money abroad to meet new commitments requiring foreign exchange. This is especially important because most modern defence supplies have to be imported. Mr J.K. Hunn estimated before devaluation that forty per cent of our defence expenditure involved overseas payments, and the figure must now be even higher.

New Zealand has almost no war industry by comparison with the United States, the United Kingdom, and even Australia. But it is also true that the manufacturing structure is considerably greater and proportionately much more important in the economy than it was at the outbreak of World War II. The war did a good deal to expand the range of New Zealand manufacturing goods in substitution for those which had become unobtainable. Since then this process has accelerated. In the decade from 1954-5 to 1964-5, the volume of output of manufacturing

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1 In a paper on the economics of defence given to the Economic Society of Australia and New Zealand, Wellington, 25 August 1966.
industries increased by 87 per cent compared with an increase of 52 per cent in the volume of all New Zealand production. This has markedly reduced the dependence of the economy on importing. Another comparison shows this even more strikingly. In the same decade the value of imports rose by 46 per cent, while the value of manufacturing net output increased 127 per cent. Most modern war equipment, however, can be produced efficiently only on so large a scale as to be quite beyond the capacity of a small economy like New Zealand's.

Repayment of debts is going to be a major problem over the next two or three years, especially repayment of emergency short-term borrowing. Borrowing might be thought to create an interest on the part of those who lend us money in sustaining our productive capacity and even in protecting that capacity, so there might be some indirect defence value in such borrowing. I think that, in so far as this is the case, it is a very mixed blessing. But the main thing about the borrowing of the past is that it puts us in a difficult position regarding future borrowing and therefore regarding any increase in overseas expenditure on defence over the next few years.

The next feature of the economy is that it is remote from the main centres of population and the main markets and therefore depends on long lines of communication. In the past this gave us a trading disadvantage but a compensating defence advantage. Long-range air striking power and air transport and perhaps nuclear-powered submarines, however, as well as missiles, have greatly reduced the advantage. Planning for defence before World War II gave a high priority to stockpiling of strategic equipment in view of the likelihood that supply lines might be cut, as well as to the provision of extra cool storage space for perishable foodstuffs which could not be exported until shipping became available. But these plans were almost entirely frustrated because of shortage of overseas funds. Notice the parallel with present economic restraints which are attributed to balance of payments difficulties.

How are we to set defence expenditure into its proper perspective? Whether comparisons are being made over time or between countries, the ratio of defence expenditure to government expenditure as a whole can be misleading. It is better to compare defence outlays with national income or gross domestic expenditure, since there is a large measure of agreement among statisticians about how these should be calculated. Table 3.1 shows various government current expenditure items (excluding capital outlays on buildings and other durable items) as
percentages of the gross national product for the period 1946-7 to 1965-6.

Table 3.1

<table>
<thead>
<tr>
<th>Year ended 31 March</th>
<th>Administration, etc.</th>
<th>Defence and war</th>
<th>Education</th>
<th>Health &amp; other social services</th>
<th>Development of industry</th>
<th>Payments abroad</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1947</td>
<td>1.8</td>
<td>2.7</td>
<td>1.6</td>
<td>2.6</td>
<td>0.5</td>
<td>3.2</td>
<td>12.5</td>
</tr>
<tr>
<td>1950</td>
<td>2.5</td>
<td>1.5</td>
<td>2.0</td>
<td>2.6</td>
<td>0.9</td>
<td>0.7</td>
<td>10.2</td>
</tr>
<tr>
<td>1953</td>
<td>2.3</td>
<td>3.4</td>
<td>2.1</td>
<td>2.2</td>
<td>0.8</td>
<td>0.5</td>
<td>11.4</td>
</tr>
<tr>
<td>1956</td>
<td>1.8</td>
<td>2.5</td>
<td>2.2</td>
<td>2.4</td>
<td>0.7</td>
<td>0.5</td>
<td>10.1</td>
</tr>
<tr>
<td>1959</td>
<td>1.9</td>
<td>2.3</td>
<td>2.5</td>
<td>2.5</td>
<td>0.9</td>
<td>0.6</td>
<td>10.6</td>
</tr>
<tr>
<td>1962</td>
<td>2.0</td>
<td>2.0</td>
<td>2.6</td>
<td>2.5</td>
<td>0.8</td>
<td>0.5</td>
<td>10.5</td>
</tr>
<tr>
<td>1965</td>
<td>1.8</td>
<td>2.1</td>
<td>2.8</td>
<td>2.3</td>
<td>0.9</td>
<td>0.6</td>
<td>10.4</td>
</tr>
<tr>
<td>1966c</td>
<td>1.9</td>
<td>2.1</td>
<td>2.8</td>
<td>2.3</td>
<td>0.9</td>
<td>0.5</td>
<td>10.6</td>
</tr>
<tr>
<td>Average 1946-7 to 1965-6</td>
<td>2.0</td>
<td>2.3</td>
<td>2.3</td>
<td>2.4</td>
<td>0.8</td>
<td>0.7</td>
<td>10.4</td>
</tr>
</tbody>
</table>

a The period includes the Malayan Emergency and the Korean War.
b Excluding transfers to Hospital Boards, which would raise the figure to 3.1 per cent in 1946-7 and to 4.1 per cent in 1965-6.
c Estimates.

We now have to take devaluation into account. The high import content of defence expenditure is one factor and with it we have to consider likely changes in sources of defence equipment: with the impending British departure from 'east of Suez' we may have to buy more equipment from Australia or the dollar area. To keep purchases even at the present level would therefore require a larger proportion of the gross national product. Where such additional defence outlays would come from is a matter to be decided in the light of how New Zealand uses her resources in all fields, and Table 3.2 gives this for the same twenty-year period as percentages of the gross national product. This ignores transfers of money, and records only actual spending on goods and services - the actual use of economic resources. The total is more than 100 per cent because New Zealand, as a borrowing country, uses up more than she produces.

Notice that recreation and entertainment took 5.8 per cent, compared with 2.3 per cent for defence. Capital items in this period came to about 24 per cent which seems to be what is needed to sustain a 4 per cent per annum growth in our economy.

Decisions about defence expenditure have to be taken in the light of
Table 3.2

<table>
<thead>
<tr>
<th>Expenditure item</th>
<th>Percentage of gross national product</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Central government current expenditure</strong></td>
<td></td>
</tr>
<tr>
<td>Defence and war</td>
<td>2.3</td>
</tr>
<tr>
<td>Education</td>
<td>2.3</td>
</tr>
<tr>
<td>Other social services</td>
<td>2.4</td>
</tr>
<tr>
<td>Other</td>
<td>3.4</td>
</tr>
<tr>
<td><strong>Other public authority current expenditure</strong></td>
<td></td>
</tr>
<tr>
<td></td>
<td>2.7</td>
</tr>
<tr>
<td><strong>Personal expenditure on consumer goods and services</strong>a</td>
<td></td>
</tr>
<tr>
<td>Food</td>
<td>16.2</td>
</tr>
<tr>
<td>Clothing</td>
<td>8.8</td>
</tr>
<tr>
<td>Transport</td>
<td>10.0</td>
</tr>
<tr>
<td>Recreation and entertainment</td>
<td>5.8</td>
</tr>
<tr>
<td>Other</td>
<td>23.1</td>
</tr>
<tr>
<td><strong>Capital formation (including stock changes)</strong></td>
<td></td>
</tr>
<tr>
<td>Central government</td>
<td>6.0</td>
</tr>
<tr>
<td>Other</td>
<td>18.2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>101.2</td>
</tr>
</tbody>
</table>

a The subdivisions are estimated.

The state of the economy and of what is politically possible – what decrease, for example, in consumption the public would accept when New Zealand is not involved in a major war. We can get some idea of the possibilities if we look back to the period of World War II in relation to the post-war years. In the war years consumption per head in real terms fell by well over one-fifth; but this required extensive readjustments and restraints: a comprehensive stabilisation scheme, conscription, direction of manpower into essential industries, rationing, government control of the supply of many commodities, heavy taxation and also internal government borrowing to reduce the spending power of the private sector of the economy. In the post-war years the public has become accustomed to an increase in real production per head of about 2 per cent per annum. The strong reactions to various government measures of restraint since the war indicate that the public is most reluctant to curtail consumption. Substantial increases in private savings in 1939-45 played a considerable part in enabling sufficient resources to be diverted to war purposes. Apart from patriotic considerations, an important motive for saving was the belief that consumer durables and other commodities unavailable during the war would become plentiful when the war was over. Such a motive for
saving could scarcely exist except in a major national emergency. So it does not seem that the New Zealand public could readily be persuaded to stand a very much greater defence burden than it at present bears.

Despite our 9,000 or more registered unemployed, our problem is not so much one of taking up the slack in the economy as of diverting resources to defence purposes. Hitch and McKean remind us that the United States devoted mainly slack or growth to World War II and the Korean War, and in neither case was the absolute level of consumption reduced. New Zealand not only devoted much more than slack growth: much of the normal annual creation of new capital was deferred, making a huge backlog which was not overtaken until the middle 1950s.

In view of the difficulty of getting people to give up what they have actually received in the interests of extra defence when there is no grave emergency, the question is asked whether we can meet extra defence burdens out of growth. Can we take extra resources, that is, out of growth in national production before this is passed on in increased living standards? The six-year period ending in 1966 throws some light on this question. Personal consumption expenditure in this period increased on the average by $152 million a year, subdivided as in Table 3.3.

### Table 3.3

<table>
<thead>
<tr>
<th>Cause of increase</th>
<th>Annual increase in personal consumption expenditure</th>
</tr>
</thead>
<tbody>
<tr>
<td>A population increase of about 2·1%</td>
<td>$40 million</td>
</tr>
<tr>
<td>a year on average</td>
<td></td>
</tr>
<tr>
<td>Retail price increase averaging</td>
<td>$52 million</td>
</tr>
<tr>
<td>2·7% a year</td>
<td></td>
</tr>
<tr>
<td>Increase in living standards</td>
<td>$60 million</td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>$152 million</td>
</tr>
</tbody>
</table>

The increase in living standards or real consumption averages out at about 3·1 per cent a year and can be compared with an annual increase of about 2·6 per cent in labour productivity. The latter is the only thing in the long run which can make increases in living standards possible and we should become concerned when real consumption runs ahead of it. The difference between the 3·1 per cent increase in consumption and the 2·6 per cent increase in productivity is in fact

one of the most important explanations of New Zealand's propensity to spend more than she earns overseas. This is what recent economic measures have set out to correct and the question arises whether the government could go further if it wished in the interests of defence.

Even under relatively favourable circumstances, it would not be easy to restrain living standards increases in the interests of defence. The economic stabilisation policy of World War II succeeded because it generally operated fairly over all incomes and was acceptable in the war emergency to all economic interests. A policy of wage restraint would be too narrowly based. It would have an unequal impact, and would therefore be likely to fail on political grounds. Any peacetime policy would have to be a carefully integrated one, applying to all incomes. It would have to operate fairly but firmly, without exceptions.

The prospects of applying any such policy have, however, faded considerably in the past year. As far as I can measure, manufacturing production is now running lower than it was a year ago. Formerly it rose in real terms at the rate of 6 per cent a year. So there is now no growth to use for defence - or any other purposes. An economy in this condition can only be made to grow by reflating it - putting extra expenditure into people's hands to increase the demand for goods and services. To do this now would of course ruin the balance of payments. To increase defence spending with its high import content would mean restraining other importing; but post-war policy has made it harder to do this. Something like 50 per cent of imports have been freed from control. Our dilemma is therefore acute. It is harder than in the immediate post-war years to restrain non-defence imports. The prospects of any significant increase in defence expenditure are therefore very poor.

This still leaves the problem of equity among allies unsolved. In an alliance there must be a sharing of the burden of preparation for defence as well as an agreement to participate in any possible military action. Modern defence systems cannot be mass-produced after an emergency has arisen and they are too complicated and expensive to be stockpiled in peacetime by richer allies. New Zealand must nevertheless depend on allies in various collective security arrangements designed to deter aggression or, if the deterrent fails, to meet sudden attack. Such allies can reasonably expect that defence preparations and expenditure will proceed at a reasonable rate in each member country of the alliance. As Mr George Laking said in October 1967, 'We cannot expect in the future to call on the assistance
of our friends if we have not in the meantime been pulling our weight in collective defence arrangements'.

It is far from easy, however, to decide what is a fair share of the defence burden. 'International comparisons of defence expenditure, though often made, are meaningless, because they compare unlike with unlike, they ignore disparities in population, centuries of lead time in national development, and whether the money is spent internally, boosting the domestic economy or externally, depleting overseas funds.' These are the words of Mr J.K. Hunn, former Secretary of Defence. 'No percentage of gross national product, no per capita sum', he added, 'is valid for all countries as a defence vote.' The only important consideration I would add to his is that a country with substantial unemployment can benefit from internal defence expenditure, whereas it would be a burden on a country with full employment.

It is easy to criticise all possible methods of comparing defence expenditure of different countries. But comparisons will be made and some criterion must be agreed on. My view is that the starting point should be closely related to national income per head of the population. There should be some agreed proportion of gross domestic product going to defence purposes, but edged downwards for countries with a low per capita income and edged upwards considerably for those with a high per capita income. This can be no more than a rough guide; but it is probably the most workable one. It is in this context, therefore, that I set New Zealand's defence expenditure alongside those of the United States, the United Kingdom, and Australia (see Table 3.4).

Actual expenditure in the year 1966-7 rose above the estimate for the United States and was well below the estimate for New Zealand. So the disparity was even greater than these figures indicate. New Zealand voted $NZ 96 million for defence in 1966-7, but actually spent only $89 million.

One final point may be made regarding New Zealand's collective

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>U.S.A.</td>
<td>576,758</td>
<td>3,002</td>
<td>9.5</td>
<td>Estimate 1966-7</td>
</tr>
<tr>
<td>Australia</td>
<td>18,795</td>
<td>1,688</td>
<td>3.5</td>
<td>1964-5</td>
</tr>
<tr>
<td>U.K.</td>
<td>79,814</td>
<td>1,472</td>
<td>6.2</td>
<td>1964-5</td>
</tr>
<tr>
<td>N.Z.</td>
<td>4,538</td>
<td>1,749</td>
<td>2.4</td>
<td>Estimate 1966-7</td>
</tr>
</tbody>
</table>

3 In his paper given to the Economic Society of Australia and New Zealand, 25 August 1966.
security arrangements: they are tending to leave out the United Kingdom and to be more and more closely related to those of the United States and Australia. There is a striking parallel to this trend in the sphere of trade in general. Over the past ten years the percentage of New Zealand exports going to the United Kingdom has dropped from 65 per cent in 1956 to 46 per cent in 1966. The entire growth of New Zealand exports in this period has gone to countries other than the United Kingdom. Imports from the United Kingdom have similarly decreased from 54 per cent of total New Zealand imports in 1955-6 to 38 per cent in 1965-6. Trade and defence arrangements tend to be interrelated.

I think one has to look more closely at the economic equity of collective security arrangements, though there is some reluctance to do this.

Discussion

It is relatively easy to demonstrate, by the kinds of comparison that are legitimate if crude, that New Zealand is not pulling its weight in terms of defence spending as a proportion of gross national product. But it is also clear that, even where there is unemployment and thus a prima facie case for diverting activity into defence channels, this is not popular in New Zealand for political reasons. There are few circumstances in which reduced consumption to cover increased defence would be palatable. In times of world crisis or international tension, the New Zealand government is in a position to increase taxes, both direct and indirect. In situations of less than crisis, it is difficult to do so, and therefore to raise the amount spent on defence.

New Zealand's balance of payments deficit adds to her difficulties in allocating funds to defence, and it does not yet seem that devaluation of the currency has been beneficial. A more aggressive export policy would seem desirable. If New Zealand is to assume added responsibilities following Britain's withdrawal, this will increase the balance of payments problem. The high import content of equipment and the expense of deploying forces overseas constitute a heavy drain on foreign exchange. The United Kingdom has usually created heavy stocks of equipment at its overseas bases. If this is the case in Malaysia and Singapore, perhaps New Zealand could purchase some at a discount.

It would be helpful for the New Zealand government to allocate defence contracts to firms which are suffering unemployment - perhaps for the
manufacture of small arms, vehicles, or even ships. Defence effort
must be a function of the general level of economic activity.

Whatever is spent on defence is for the purpose of ensuring the
security and independence of the country. In the past, the government
has set force levels which it felt the country could afford: cost was the
determining factor. This will not be possible indefinitely. As New
Zealand's security problems get closer to home, expenditure will have
to be related to defence requirements.

Even in such circumstances, collective pressure will need to be
brought on the government if more is to be spent on defence. There are
pressure groups in New Zealand - notably the Returned Servicemen's
Association - which are active in this way, but there are others trying
to promote more foreign aid, on the basis that all New Zealand's problems
would be solved if it could ensure that there were no hungry stomachs
in Asia: aid is defence. Trade unions and others press for bigger and
better social services for New Zealanders. There is no pressure
group seeking specifically to cut defence spending, but politicians in
need of expenditure cuts tend to look first at defence. The present
government has consistently refused to increase taxation, and is
unlikely to do so in the future.

Building up New Zealand's own manufacturing industries is not wholly
beneficial. It takes developmental funds away from primary production
which earns foreign exchange. And the more goods are manufactured
in New Zealand, the less can the government use cuts in consumer
spending to improve the balance of payments.

To handle the foreign exchange problem, New Zealand's economy
needs drastic structural readjustments. Again for political reasons,
this is not easy, but it may be done over the long term through a
properly planned incomes policy. In the short term, import controls
may be needed, but a more vigorous selling policy and perhaps better
trade bargaining are preferable.

In defence of New Zealand, it can be said that there is really no
question of equity within alliances. Interests and objectives are not
identical. A large proportion of the 9·5 per cent of American GNP
spent on defence does not contribute to New Zealand's defence.
Similarly not all of New Zealand's 2·4 per cent is for the purposes of
the alliance.

To what extent could the New Zealand and Australian economies be
complementary in defence production? Could not Australia use some
of its very favourable trade balance with New Zealand to help in the
Could Australia not trade its 'guns' (defence production) for New Zealand's butter?

This will be discussed again later, but Australia drives a hard trade bargain with New Zealand. It wants to sell industrial products to New Zealand, but is most unenthusiastic about buying New Zealand's primary produce. Butter is excluded from the Free Trade Area. This is a matter of domestic politics, even though it makes little sense economically.

World War II illustrated another problem. Australia needed all the output of its defence factories; New Zealand had to rely on other sources. This may not be the case again. Australia is New Zealand's nearest potential supplier of many defence items, and it is in Australia's interest, militarily and economically, to provide New Zealand with them. In view of New Zealand's trade problems, Australia can hardly expect to sell without buying in return.
The importance of industry for defence (or war) purposes is obvious and undeniable. But, by 'industry' we do not mean simply manufacturing capacity. Industry means, in addition: access to raw materials and food, power resources, the capacity to build manufacturing plant and machine tools, chemical and refining plant, transportation, etc. It means also manufacturing flexibility (production expertise and management); it implies a capacity for innovation (the application of engineering and other sciences to production); and invention (now called research and development). Behind all this is somewhere a capacity for scientific research of a pure or academic type - although this need not be located in one's own country since scientific knowledge remains a surprisingly open area, one in which new advances can be concealed only for short periods.

If we are thinking only of a country's capacity for armed defence - or offence - then the ideal situation to aim for is self-sufficiency. Preferably, all of the attributes mentioned - raw materials and food, power resources, production expertise, good research and development capacity, scientific research, a capacity for innovation as well as substantial manufacturing capacity - should be located within the boundaries of the defensive or offensive country.

Consider some of the countries which made a substantial contribution to World War II (whether or not they were defeated or were victors). In terms of the self-sufficiency criterion the United States notably stands out. It did not provide a majority of the inventions and ideas which emerged as a result of preparations for, or during the course of, that conflict. (Nuclear energy, radar, jet engines, rocketry technique, antibiotics, and transistors had their origins in Britain and Germany mainly.) But the United States was self-sufficient in
most other departments. It had most of the minerals and all the food it required; its industrial capacity was not only large in an absolute sense, it also had an export surplus. It was flexible (in management expertise especially); its innovatory capacity was high (consider the development of liberty ships, antibiotics, and nuclear energy); and its capacity for tooling-up for new manufacturing tasks was, and is, extraordinary (think of its manufacture of tanks and aircraft for itself and others). The U.S.S.R. in World War II was not strong on ideas - rocketry and nuclear energy came later from Germany and Britain - and was rather dated in its application of engineering and scientific techniques. But it did have ample supplies of raw materials within its own boundaries and reasonable manufacturing capacity, although this was poorly adjusted for military purposes at the time. It was found necessary to import large quantities of military hardware and vehicles. Nor was it, apparently, very flexible. One can almost say that its real offensive and defensive advantages lay outside of manufacturing capacity - it was much better off in terms of manpower, morale, and real estate. Britain certainly was not a self-sufficient war economy. It had substantial power sources and manufacturing capacity - but not for all purposes, since it had to import ships and planes of a commercial type from the U.S.A. It was good on ideas; not so good but still resourceful in terms of innovation or the application of ideas to war purposes; reasonably flexible in management and in industrial expertise in the face of emergency - although one has the impression that the overall defence planning was better than the detailed performance of industry. The main deficiencies were of course in food supplies and raw materials, which is why the naval war was so crucial to Britain. Japan was in those days only mediocre in fundamental ideas; in the application of ideas to manufacturing it showed industry and resource but no great sophistication (except perhaps in naval matters). Military hardware certainly was rather primitive. Power and manufacturing resources were only medium-sized in capacity - it could never have initiated its own war, and required the British involvement in Europe to provide the opportunity for offensive action in the Pacific. And, of course, its greatest deficiencies were in food, raw materials, and oil. Thus the loss of the Pacific Ocean war was disastrous for it, whether or not the atom bomb had been employed.

However, there are grave deficiencies in this idea of self-sufficiency. It is an ideal only for defence and aggression - which are artificial and largely unwanted states of affairs. Outside of the two large land
powers, the U.S.A. and the U.S.S.R., it is in any case not an ideal which most nations can hope to secure. The majority of countries have limited supplies of resources. They therefore rely on the international division of labour to complement their weaknesses and permit greater economic prosperity through specialisation on the resources they do have. Thus, for the majority of countries, any determined attempt at self-sufficiency would be costly in terms of the country's standards of living, and the sacrifice of trading opportunities would be a hindrance to economic growth.

Moreover, in certain kinds of war situation, self-sufficiency may not be particularly necessary. In the course of long struggles of attrition Germany and Japan, in their respective situations, certainly could not afford to underestimate the usefulness of the idea. And, if wars of devastation, over whole hemispheres or more, are inflicted on us by the employment of nuclear weapons, quite possibly all countries - even those apparently far removed from the centres of a dispute - may be compelled to take the (economically) retrograde step of building for a self-sufficient future. But wars, in a numerical sense at any rate, are not usually too wide in their scope. It may be necessary for a country to think only in terms of limited wars conducted on narrow fronts or in isolation from the remainder of the international scene. In such circumstances few countries would be without allies (or suppliers) to supplement defence deficiencies. To turn attention to our own area, Oceania and South-east Asia, one would not be considered over-optimistic in supposing that the majority of wars in this area, for the next ten years at least, will be land wars mainly, often insurrectionist in character and rarely becoming more significant than regional disputes of the konfrontasi type. Bearing in mind that a dominant naval power, the United States, will hold the vast Pacific flank for an indefinite period, it is therefore possible to plan defence commitments without undue resort to inefficient and costly ideas of self-sufficiency.

**Australian Defence Potential**

Nevertheless Australian industry should be examined against the background of this idea. It gives a useful benchmark for thought on the subject of defence, and offence, potential.

In food supplies Australia is amply endowed. So also in metallic minerals - although we do not have all the smelting capacity that is
required in certain metals. But we do not yet have mineral oil in abundance – only the promise of it which will take five to ten years to verify and probably fifteen years to develop fully.\(^1\) The chemical raw materials are not found in significant quantities in Australia so far – although natural gas of which there are ample reserves can make up for this deficiency in a number of the main chemical groups as well as adding to already plentiful power resources. Manufacturing capacity is fairly substantial in relation to the size of the population (but not in relation to the size of the continent). However, it is unbalanced. The application of tariff protection has not, and probably cannot, ensure equal development of all industrial sectors. Australia’s capacity for fundamental research is small and our ability to research and develop suspect: this is a subject we shall return to. Flexibility in manufacturing (the introduction of new products or the development of new manufacturing techniques) is something of an unknown factor. We know they are mainly imported in the first instance; but some of these migrants become assimilated, flourish, and eventually become in effect native creatures. However, although the extent to which pure science, applied science, innovatory skills and manufacturing techniques can be said to take root in Australia is an interesting question of importance for the long-run cultural and economic future of this country; for defence purposes it may be only the latter two which really matter. In wartime, or in the preparation for defence, ideas can be transmitted from friendly allies. The relevant question then becomes – can we apply ideas and techniques quickly, flexibly, and with satisfactory results to the manufacturing capacity we at present possess?

To attempt to give some answer it is necessary first to consider each of the main industries in terms of what they can produce for defence and war purposes.

**Industries**

In the production of food Australia is, for all practical purposes, self-sufficient and indeed has a substantial surplus in grains, meat, fruit, and dairy products. The metallic minerals position is most comfortable. Coal, for power or for coking, is plentiful. There are sufficient reserves of iron ore discovered to serve Australian industry and one-third of the Japanese steel industry for twenty-five years or more. There obviously remains much more to be discovered. Reserves...\(^1\) Further oil discoveries have been reported since this paper was written.
of copper, lead, zinc, and nickel are ample enough to maintain Australia's position as a major exporter; bauxite, for manufacture into alumina and aluminium, is being found in large quantities; and rare minerals (rutile, zircon, etc.) mined from beach sands have transformed thousands of miles of beach on both the east and west coasts from valueless assets into the sites of a minor but profitable mineral industry. In the mining of chemical raw materials Australia is deficient. Some phosphate rock has been located. But no deposits of elemental sulphur, the key ingredient in most industrial chemicals, has been discovered. So far only recovered sulphur expensively produced from iron pyrites, copper smelting, and the refining of certain Middle East crude oils is available domestically. The discovery of sulphur-impregnated oil and natural gas could assist here but so far all such discoveries have been of unusually 'sweet' petroleum reserves. Most sulphur comes from abroad. Likewise asbestos, refractory clays, feldspar, fluorspar, and various other mineral chemicals required in smelting and chemical processes are imported in quantity. Many chemicals - methyl alcohol, phenols, glycerines, esters, and various epoxides enter in raw or semi-manufactured form. The raw materials of the drugs industry, nucleic acids, organo-sulphur compounds, sulphonamides, mercury, amino-compounds, etc., also are imported. Oil is not yet in ample supply (only 7 per cent of refinery throughput so far comes from indigenous resources - all of it so far high cost and protected). But given time, there is but little doubt that Australia will be self-sufficient. (By 1970 we can expect to be 30 per cent self-sufficient in crude oil.) Of natural gas there is an ample supply - although the development of the fields and the construction of the pipelines will require another five years before the two main industrial complexes of Melbourne and Sydney will be fully supplied. Further time will be needed to initiate a substantial fertiliser or chemical industry on the basis of natural gas.

In steel production Australia is virtually self-sufficient (plate sheet, tinplate, stainless and cast steels, etc.). But certain alloys and foils are still imported. And the production of very large section tube (36-inch for oil and gas) has yet to be developed. The only criticism one has of the steel industry is that it could be a more substantial exporter. Non-ferrous metals are plentifully produced, though certain types of copper, aluminium and nickel alloys (in plate bar and tube form) still come from abroad. Almost all glass is domestically produced - all of it if the importation of minor glass articles is ignored. All the
hardwoods necessary can be found in Australia (except for fine
furnitures); but softwoods, for cases and for certain grades of paper,
must be imported. The paper industry is of a substantial size and
could produce most of what is required in an emergency, although the
quality would be lacking in certain types.

In shipbuilding Australia has substantial capacity for the purpose of
building Australia's coastal fleet, for ship repair, and for a small
number of minor naval vessels. (There are seven yards building ships
over 1,000 d.w.t. In all they have fifteen berths. Four of the yards
can build ships over 10,000 d.w.t. and two can construct bulk carriers,
oil tankers, container vessels, and short-sea-route roll-on roll-off
carriers.) The degree of sophistication does not rise above Type 12
frigates or vehicle and passenger carriers. These are built, but the
construction takes an unusually long time. Conceivably, escort
carriers and missile destroyers could be constructed in Australian
yards; but the cost would be great and the process lengthy. (All ships
above 1,000 d.w.t. have construction subsidies of 25-33 per cent from
the Commonwealth government. But to equalise shipbuilding prices
in Britain and Japan, subsidies of between 35 and 55 per cent on the
construction cost are required.) The smaller yards, some not here
enumerated, can build fast patrol boats, tugs, boomsling vessels,
simple hoppers, dredges, etc. Apart from the fitting of the Australian
Ikara anti-submarine missile, weaponry is conventional and imported.
At least 15 per cent of the total cost of ships constructed in Australia
is covered by imported components - main engines in most cases,
specialised electrical deck gear, cargo pumps, steering engines, radar
plots, and most navigation instrumentation. The percentage would be
greater for naval vessels. To supply most of the fleet of 350 trading
ships which bring in Australian imports and load its exports foreign
shipyards are, of course, relied upon.

In aircraft manufacture there are two establishments which can
construct military aircraft; one or two more which can manufacture
components; and several installations, mainly subsidiaries of foreign
engine-makers or Australian airlines, which can service and repair
engines, airframes, and electrical and navigational equipment. The
two aircraft factories are capable of constructing, under licence and
with some imported components, a fleet of 110 French Mirage fighters
and over 100 Italian Macchi jet-trainers over a period of three to four
years. The engines (one French and one British) of these planes also
are manufactured here under licence; and one of the factories is bidding
for a contract to manufacture also the French spare parts. Around 20 per cent of the value of these aircraft is imported. The factories could undertake more work - they operate below capacity because of the smallness of runs and infrequency of orders. They have some competent design capacity and recently developed, on the drawing board, a jet-trainer which was, however, not taken up by the R.A.A.F. Probably, although it is difficult to judge this matter, the Australian factories' design capacity could not easily match that of the developed industries of the United States, Britain, the U.S.S.R., France, Germany, and Italy. Their function therefore seems likely to be confined to manufacturing the products of other countries' ingenuity and thus maintaining a nucleus of airframe and engine manufacturing capacity and repair. Since aircraft are the most mobile of military assets - they can be flown in at any time - there appears to be little need to ask for more from the aircraft industry (which is heavily subsidised in its present role). If it were desired to make the industry economically viable, as distinct from offering a defence requirement, probably they should be encouraged to design and produce medium-sized civil and military transports of a type which will have adequate foreign demand in other countries; small army co-operation types, suitable for agricultural spraying; helicopters, etc. There are numerous established engine types available for these roles. Both factories are capable of constructing Fokker Friendship airliners (a scheme to do so some years ago was abortive, presumably on commercial grounds).

Motor vehicles of all kinds, commercial and military, of gross weights up to 5 tons, can be constructed entirely in Australia. There are significant imports of such medium-weight commercial vehicles for commercial reasons, but the industry would have no difficulty in undertaking this type and weight of construction. Heavy commercial vehicles with diesel engines are a different proposition. Most are imported in chassis form with c.k.d. components for assembly; or else they arrive assembled in chassis or chassis-cab form. About 36 per cent of all trucks used in Australia are imported in this way. So far the low cost of such vehicles - especially from Britain - has inhibited their construction here. But, technically speaking, the industry is competent to manufacture them. Likewise automotive diesels are made only by one or two companies here - most are imported - but without much effort they could be manufactured in Australia.

Railway locomotives and railway rolling stock are extensively
manufactured in Australia under licence. Some diesel-electric types are imported but the manufacturers in the industry appear to have sufficient capacity to cover most of the requirements of the railway system here. All-electric locomotives are few and normally imported. So also are specialist shunting types or diesel-hydraulic types. The diesel-electric power plant itself is manufactured in Australia under licence although some of the more powerful types are imported.

Chemical manufacture in Australia is well developed in some areas. Most conventional explosives used in the armed forces can be produced here, although for economy reasons some are imported. In fertilisers and associated industrial chemicals (phenols, formaldehydes, chlorine, sulphuric acid, ammonias, and caustic soda) the industry is self-sufficient. The petro-chemical industry, using feedstock from refineries, manufactures most grades of the standard plastics materials - polyethylene, PVC, and polystyrene. Butadiene and carbon black for synthetic rubber and tyres, and vinyl acetate for plastic paints, also are manufactured. The introduction of natural gas will probably extend the manufacture of nitrogen-rich fertilisers and possibly introduce methods of manufacturing plastic materials other than from the middle distillates of the refinery industry. Acetate rayon, one of the older synthetic fibres, is made in Australia. Nylon base material is not manufactured here but is imported in the granule form for manufacture into fibre. Altogether the chemical industry, dominated by two or three British-origin companies, two or three American companies, and one Australian company, produces an extensive range of products. It does, however, require protection or bounty assistance for many plants and feels keenly the sporadic competition of Japanese, Italian, and United States imports. It is a key industry in defence terms since at any time industry itself - and agriculture - is the main consumer of its solvents, acids, artificial fibres and plastic materials, pigments and paint bases, pesticides, weedicides, emulsions, soaps and waxes.

Electrical goods within certain sizes and types are manufactured in Australia. Broadly speaking all the main generators, heavy transformers and switchgear for the electricity supply system (including the steam, hydro or diesel power plant) are manufactured abroad, mainly in Britain, but also with some contracts going to Italy and Japan. The same applies to most heavy electrical motors whether for automotive or industrial purposes. Medium-sized and small-sized motors, generators, switchgear and transformers are manufactured by Australian companies; also a wide range of (but not all) fractional horse-
power motors as employed in factories or for installation in refrigerators, washing machines, and so on.

It is not easy to estimate the feasible contribution to defence which the electronics industry could make in Australia. There is little doubt that it can construct the normal radio transmission requirements of naval vessels, army communications and air force equipment. In addition standard radar scanning equipment for navigation or air interception could be manufactured here by the subsidiaries of such British companies as Plessey, Marconi and Decca; or under licence by one of the Australian electronics firms. However, a large part of defence orders are not simply for pieces of equipment. They are, as the Minister for Defence said recently, for 'systems'; that is for advanced electronics in combination with gunnery systems, missile systems, radar observation linked with missiles and communications and so on. Some of the expertise, especially for light-weight equipment, requires development in micro-circuitry which is not well known in some of the technologically advanced countries, although it could be developed fairly quickly. Despite these doubts, or because of them, the local manufacturers have recently made claims that too high a proportion of the orders for complex equipment was going abroad when Australian firms, they say, can easily design and produce them. Also, they point out, a continued policy of this sort will do much to hinder electronics development in this country. Australia could become a technological backwater. Judging from statements of the Defence Minister, some of the services, possibly all, have their misgivings concerning Australian-manufactured electronics equipment of an advanced type. The Defence Minister pointed out that, too easily, much of a contract's value could be taken up by research and development work already taking place overseas; that tooling-up for the small orders put out by the Australian defence force would also be relatively expensive; and, he further hinted, possibly the warranty standards required by the services would be too rigorous for the local manufacturer. Taking all these matters into account it seems clear that there is doubt that the local electronics industry can do the job adequately; or, if it can, the cost will be double or treble that of equipment secured from overseas where the manufacturers would be more experienced and enjoy the cost benefits of more and larger contracts. One is forced to conclude that the further Australian defence moves into electronically sophisticated weaponry, radar detection and communications, the less the contribution the local industry can make to these important, but expensive,
innovations. If this is a correct appreciation of the position, it is a pity. Australia's technological growth could be assisted greatly by advanced electronics.

Oil refining in Australia is an up-to-date, efficient industry - the only major manufacturing industry developed in Australia since 1945 which can operate without the benefit of tariff protection. With the introduction of two new refineries in Queensland and one more in Victoria the industry now has the capacity to refine all of the petroleum products requirements of the country - although some 2-3 per cent still come from abroad as special blends for lubricants or solvents, and a small quantity is imported direct to Northern Territory and north-west Australian ports from Singapore-Malaysia refineries for economy-of-transport reasons. The problem is not in refining but in the vulnerability of crude oil supplies (67 per cent from the Persian Gulf and 23 per cent from Indonesia): (i) they may be subject to interference at source in the form of nationalisation, revolution, confrontation, the takeover of an oil country such as Kuwait by a stronger neighbour; and (ii) in the event of any major regional or great power war which also involves naval and/or air forces there is the possibility that tanker routes, or some of them, will be subject to interdiction. Submarine operations are the greatest threat here.  

A General Conclusion

Consider the contribution which Australian manufacturing can make to defence. There is little doubt that it is capable of repairing and servicing most of the equipment currently in use. But the replacement of units, especially ships, armoured fighting vehicles, radar, and advanced electronic systems, is another matter. Even the production of certain spare parts could offer problems. Consequently, in some defence (or offence) emergencies certain arms of the services could suffer crippling shortages - unless sources of supply from overseas could step into the breach and successfully deliver. In this important sense Australia is far from self-sufficient.

The conclusion should not surprise anyone. As already noted Australia is, essentially, an important trading nation in primary (agricultural and mineral) products. Manufacturing, although we would like to change this, remains a subsidiary branch of the economy (consisting of 28 per cent of the workforce producing 28 per cent of

Oil supply is probably the most vulnerable single point in the defence problems of Australia although becoming less vulnerable as new Australian sources are discovered.
gross national product (GNP)). It is not yet at a state of development (or level of costs) which permits it to become a significant exporter of manufactures. If and when Australia does become an efficient competitor in manufactures on the world market, there will then be a greater range of weapons, aircraft, ships, and equipment produced domestically; and a greater capacity to adjust to the demands of defence requirements in emergencies.

But this stage is yet a long way off. The extent to which many industries are still importers has been mentioned. It is more significant perhaps to realise that the percentage of imports brought into this country to provide for manufacturers' materials (crude oil, chemicals, special metals, components for vehicles, ships and aircraft, electronic components, power equipment, etc.) and for capital equipment is between 75 and 80 per cent of total imports in value terms.

It is also important, from the defence point of view, to appreciate that Australian manufacturing is still, despite the apparent sophistication of much of what is done here, a derivative industry; that is surprisingly few major, or minor, industries can be said to be indigenous to Australian conditions in the sense that they have grown up based mainly on Australian finance, ownership, natural advantage and native technological ability. A large part of the manufacture, especially the rapidly growing part, remains substantially an offshoot of British, American, and European industry. Derivativeness is especially evident when one considers the small proportion of GNP which goes into industrial research and development - 0.2 per cent (and rather less than 1 per cent for total research and development expenditures). Compare this with the United States - 2.1 per cent for industry research (3.0 per cent total); with the United Kingdom - 1.2 per cent in industry (2.1 per cent total); with Canada - 0.4 per cent in industry (0.7 per cent total); and Japan - 1.1 per cent in industry (1.8 per cent total). In effect most of our research and development is undertaken for us in other countries and transferred to Australia, after a short time interval, through direct investment in subsidiaries, or through the technical assistance given to associates of foreign companies here in Australia. Royalties and dividend remittances to the foreign innovators are the financial payment for acquiring good-quality technology without too much delay. Despite the many criticisms of foreign ownership of industry it is cheap at the price.

Nevertheless it poses a problem. Many manufacturers, most politicians and, one supposes, many service and administrative heads
would like to see an acceleration of the processes whereby through education, industrial experience and intelligent protection policy, we begin to breed our own technology. This is where defence considerations and economics may part company. Economic growth takes time - even when active steps are taken to stimulate it. And too rapid growth, whether protected in the name of patriotism, employment, defence or for other reasons, can be dangerous. It goes contrary to the international specialisation of function on which our trading economy is based, reduces the extent to which manufacturing industry is exposed to external competition, and inevitably makes Australia, industrially and agriculturally, a high-cost country. The cost of defence can be high, in a sense not measured by the size of defence appropriations, but rather in the price paid by hindering economic growth.

Discussion

Australia has less than one per cent of the workforce unemployed, which allows for some movement and a degree of competition in industry. It is spending about 4–8 per cent of GNP on defence, and can do this without many misgivings, as there is a greater degree of flexibility in the industrial economy compared with New Zealand, virtually no controls, and a certain amount of protection. Production could expand by 10 to 20 per cent without dislocating the economy unduly, even though it would cause some inflation.

The import content of defence equipment is not, overall, the problem in Australia that it is in New Zealand. Australia is in a far better exporting position, due partly to the mineral exports to Japan. Between 75 and 80 per cent of imports into Australia comprise either user materials or capital equipment; only about 15 per cent is of consumer goods. New Zealand's known reserves of some important metallic minerals, and of oil, are small. In other respects, much of Dr Hunter's comments on Australian resources and industrial capacity would largely apply to New Zealand's also, even though the scale is smaller.

Self-sufficiency is sometimes considered as the ideal, and that country is fortunate which is big enough to be self-sufficient and advanced enough to produce all the modern gadgetry needed. Yet self-sufficiency is not an end in itself. In defence supply, the degree of self-sufficiency which a country needs to aim at relates to the
threat to which it sees itself exposed: the more distant the threat, the less the need for self-sufficiency. Defence supply policies therefore must be formulated with considerable care, otherwise they can lead to diseconomies. The New Zealand farmer is currently making the greatest contribution to defence supply. For items which do not involve an advanced technology, New Zealand (and probably Australia also) should aim to obtain as much as possible from domestic sources.

Of the key items which hitherto have not been available locally, oil is probably the most important. The vulnerability of oil lies in tankers, especially in times of emergency. Unless we own the tankers, they may not be available; even if they are available, they are subject to relatively easy interdiction by submarines, of which the Soviet Union has some hundreds and China more than thirty. The suppliers are not likely to constitute a problem. All the Middle East oil-producing states are not going to cease supplying us simultaneously, and in any case other sources are being developed. Indonesian oil kept flowing during Confrontation.

Oil discoveries in and near Australia are of considerable strategic importance, and raise the prospect of eventual (if expensive) self-sufficiency. So far the inland discoveries have been small; gas has been more plentiful. The major discoveries in Bass Strait, and the lesser one at Barrow Island, are more vulnerable because of their maritime location - Barrow Island especially so.

Oil has many suppliers, and any importer has a degree of flexibility. In some other defence items, this does not apply, and great care must be exercised in choosing suppliers who will have no incentive to influence our policy or military capacity by arresting the flow of equipment, ammunition, spare parts, etc. This has been a real consideration for Australia in terms of the Mirage interceptor fighter and the Carl Gustav anti-tank weapon.

The vulnerability of both economies to disruption (by cutting oil supplies, or in New Zealand's case destroying hydro-electric power resources) suggests that the two governments are right to engage in a 'forward defence' strategy. It also suggests that they should have sizeable navies. These would not necessarily be separately or jointly self-contained (even if the two governments could afford the cost) because of the American alliance, but Australia has a new problem with the departure of the Royal Navy from the Indian Ocean.

What defence equipment is produced or imported, and in what
quantities, depends upon the assessment of the strategic situation, military commitments, and defence needs. We must begin by identifying the conflicts in which the two countries are likely to be engaged and, in the light of that, consider which foreign supplies might be endangered by those conflicts, what capacity can be developed locally, which items could or should be stockpiled. A beleaguered antipodes cut off from all friends and allies is not a likely situation. On the other hand, there is a real strategic problem in that neither country has either a tanker fleet or a merchant navy of any size under its control.

Even within a given strategic situation, except for items which are patently inconceivable on grounds of expense or require a technology the country does not possess, there will always be a dilemma for a small country about what to produce locally and what to import. Arguments for importing more sophisticated items amount to:

(a) reduced costs due to larger production runs, more developed technology, and greater research and development capacity in existence;
(b) modern equipment becomes more quickly available;
(c) if purchases are made from allies, equipment will be compatible.

As against this, local research, development, and production will:
(a) encourage local talent to remain at home rather than go overseas (thus forming part of a vicious circle of dependence on foreign sources);
(b) ensure that material is available and repairable in an emergency (overseas supplies may have other demands put on them);
(c) generate ideas, techniques, or items which may have much wider application and value than originally suspected;
(d) enable us to understand better what is happening elsewhere, and to negotiate from a position of knowledge rather than ignorance.

There are clearly limits to what should be attempted. A small technology must set its sights on worthwhile projects it is capable of completing. And the government must still define the defence requirement with strategic care and economic prudence. The F-111 has not inaptly been termed 'the most expensive hinge in history'.
5 Co-operation in Defence Science:
What Can New Zealand Do?

J. F. Duncan

Nobody knows the answer to this question. Certainly my own experience falls far short of allowing me in a brief paper to put forward a policy for defence science for New Zealand and/or Australia. All I can do is to set out a few ideas, make some comments on them, and perhaps lay out a few guide lines. I assume first of all that these two countries want to defend themselves. Then I assume that New Zealand wishes to improve her economy and/or her defence capacity by research activities.

We therefore come to the question of what science can do in a defence role. Here I think there is much misapprehension. It is wrong to suppose our science and industry will enable us to build the latest missiles and nuclear weapons and set up a self-contained defence system. I want to discuss much less ambitious projects and the considerations which seem to me to underlie them. Here the first consideration is that any activity which helps to invigorate science will in the long run be useful for defence science, so we must first direct our attention to science in general. It is of prime defence importance for Australia and New Zealand to make science in these two countries vigorous. We cannot know in advance what kinds of defence problems are going to arise in an emergency and therefore what kinds of scientific or technical abilities are going to be required. Two World War II examples will illustrate this: magnetic mines and flying bombs. Both presented novel problems which called for first-class scientific work. Suppose, for a modern example, we had to deal with unexploded nuclear bombs accidentally deposited on our shores and the Americans - or whoever else was responsible - could not come and clean up the mess. We would need specialists in radioactivity as well as other branches of science.
Now let us consider defence science per se: science which is explicitly directed for defence purposes. We can divide this into two areas. The first deals with large new processes and activities: developing missiles, anti-missiles, nuclear bombs, bacteriological weapons, and so on. I believe it is quite unrealistic to think Australia and New Zealand have the capacity for developing new weapons of this kind. Look at the costs involved! British atomic energy has already cost something of the order of £500 million. The sort of work which goes into space research - a form of defence - costs at least ten times as much. We can neither afford the money nor mount the effort. It would be more than our national economies could stand.

The second area consists of science that is peripheral to such major undertakings. A project in this peripheral area might arise from the need to adapt defence equipment from abroad to local conditions or to make it more efficient for our purposes. Or it might be part of a larger project undertaken by, say, the United Kingdom or the United States. Though they have huge scientific resources they can always use more, and we might get a research contract or sub-contract. One of the tasks facing us, therefore, is to find out where our countries can provide scientific knowledge or other resources capable of contributing to major defence projects abroad. Opportunities can exist in unsuspected quarters. I have myself been involved in one such case. For about five years I was trying to improve ceramic materials for cups and saucers. Then, with a new method involving electrical as well as chemical procedures, we came up with extremely hard ceramic material. This was an exciting development, because it could well provide the basis for a New Zealand industry. Other applications, however, have since come to light, for example for developing high-temperature cutting tools, thermal shock-resistant furnace tubes and grindstones. But two or three possible defence uses have also come to light in the United Kingdom and the United States. Ceramic fibres, for example, are important in the construction of combat aircraft. Another possible use is for heat shields for supersonic aircraft and rockets. Ceramics of sufficient strength would be ideal for this because of their low thermal conductivity and light weight. A third possibility is to employ such ceramics for high-temperature jets for rockets. It seems that this research of ours could have profound effects on defence science and industry. It is one example among many of research projects peripheral to main defence developments which might be undertaken in Australia or New Zealand.
There might even be a third area of defence science that we might encourage. We would probably all agree that Australasia could not manufacture a complete modern defence system such as the Minuteman system. But we might be able to study our special problems in relation to any such system we acquired from our allies so as to adapt it to our needs or to support it and make it more effective. In so doing we would gain industrial as well as scientific strength. We might orient our physical scientists, for example, towards thinking along these lines and thereby help to develop our electronics industries. The field of early-warning devices is an obvious one in this connection. But let us remember that the social sciences and humanities can also contribute to early warning of possibly hostile intentions and might even go farther to the point of helping to forestall the emergence of threats to our security. In this sense even our hospital in Qui Nhon could be an early-warning device, though it is not, of course, being used as such. But it does provide some insights into the way people are thinking in that part of the world. Early-warning devices can be psychological as well as physical and we do not seem to be doing anything in this direction. Psychological methods might do two things: orient other people so that they do not wish to make war on us and also find out what they are thinking so that we are prepared for it. Yet another field is that of civil defence. This should clearly be part of the larger problem of handling all kinds of civil disasters like earthquakes and floods. We should graft on to any effort we make in this direction programs for dealing with war hazards such as radioactive fall-out and massive damage to cities.

Whatever we do, we need to bear two things in mind. The first is that we shall always be faced with deficiencies of scientific and industrial resources. The second is that defence science and science directed to peace-time purposes are interdependent. One tends to reinforce the other. The study of bacteriological warfare could have beneficial effects on the New Zealand economy. A chemical which for war purposes is a defoliant for peaceful purposes is a weed-killer. Medical research is another example of work which can help our defence effort as well as our peace-time concerns, and many of our contributions in this field are very good.

The world of science is by its very nature an international world, and we are already very much involved in co-operation of various kinds with British and American scientific, industrial, and defence groups or organisations. But there are some curious gaps in this co-operation,
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both in peace-time and defence research. I was astounded, for example, to learn that British interests in milk marketing might consider financing research in Israel on mastitis without any thought of investigating what was being done on this in New Zealand. It is therefore important to do everything we can to ensure that in the future we do not miss getting research contracts because of ignorance in relevant quarters of what we can do. So I suggest that our governments (N. Z., Australia, U. K., and U. S. A.) should get together on this matter to see that our countries go hand in hand in exploiting science at all levels, particularly defence science. I would like to see a joint Australasian committee on defence science which can look into the areas where collaboration is possible. This sort of collaboration, after all, took place between Britain and America for the development of atomic explosives. Such an organisation would have to include defence experts as well as scientists. It might even be extended to include some of our SEATO allies, with the idea of looking at defence problems from the point of view of the SEATO area as a whole. My own experience of collaborating with Australian scientists on joint projects has been disappointing, and it seems to me that far better liaison should exist between the two countries in scientific matters. But I have been even more disappointed in a recent overseas trip at the lack of interest by British scientists in the problems of this part of the world. I believe we need more effective publicity about our scientific problems and our efforts to solve them. One way of getting such publicity is to negotiate research programs with the United States and the United Kingdom and an Australasian committee might be able to do much in this direction.

Though I am by no means an expert on all branches of science in New Zealand, I have become aware of some of the work going on here and some of the possibilities of further development of research and technology that seem open to us. I have therefore made up my own list of these, to which other scientists here could add other areas of research. One final point relates to costs. New Zealand research would in general cost less than similar research in Australia because of the lower salary structure here. It would be likely to cost very much less than in the United States, for the same reason. Costs here are roughly comparable with those in the United Kingdom.
### Some Possible Areas for Defence Scientific and Technological Co-operation

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<tr>
<th>Area</th>
<th>Detailed topic</th>
<th>Collaborative country or region</th>
<th>Applications</th>
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<tr>
<td>Agriculture</td>
<td>Crop production</td>
<td>Asia</td>
<td>Foreign aid</td>
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<td>Pesticides</td>
<td>U.S.A., U.K.</td>
<td>Economic defence</td>
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<td>Defoliants</td>
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<td>Medical</td>
<td>Surgical techniques</td>
<td>Any</td>
<td>Foreign aid, Defence</td>
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<td>Bacteriological infection</td>
<td>U.S.A., U.K.</td>
<td>Defence</td>
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<td>Specialised surgical products</td>
<td>Any</td>
<td>Defence, Aid</td>
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<td>Ceramics</td>
<td>Fibres</td>
<td>U.S.</td>
<td>Defence, economic</td>
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<td>Thermally shock-resistant materials</td>
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<td>Protective coatings</td>
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<td>Nuclear science</td>
<td>Carbon dating</td>
<td>Any</td>
<td>Scientific service</td>
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<td>Mössbauer effect</td>
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<td>Radiation effects</td>
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<td>Defence</td>
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<td>Electronics &amp;</td>
<td>Development of new instrumentation</td>
<td>Any</td>
<td>Many applications, defence and</td>
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<td>telecommunications</td>
<td>Radar, radio, and allied research</td>
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<td>Metallurgy</td>
<td>Alloys</td>
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<td>N.Z. steel and aluminium industries</td>
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<td>Geothermal power</td>
<td>Geothermal power development techniques</td>
<td>Asia</td>
<td>Aid, economic</td>
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<td>By-product techniques, e.g.</td>
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<td>techniques of handling high pressure</td>
<td>U.S.A., U.K., Aust. Defence</td>
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<td>Civil defence</td>
<td>Disaster handling techniques</td>
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<td>Education</td>
<td>Specialist scientific and technician training</td>
<td>Australia, Asia</td>
<td>Defence, economic</td>
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### Discussion

The whole of a military program in a war depends on the achievements of science up to that time. It is important, therefore, to have a continuing scientific base; the nation must provide scientists with the equipment and environment to innovate. Many scientists are not particularly money-conscious. On balance, there is not a 'brain drain' out of Australia, but the reverse.

Should university departments work under contract to defence departments? This is not really the role of universities, but of other
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research establishments. Universities should not be required to develop particular items of equipment to defined applied ends, but be allowed to probe the possibilities of entirely new concepts, instrumentation, etc. - in other words, open-minded research, which may have important practical results, or it may not. Non-university research institutions will usually have an objective, but the danger comes when you have reached it: you are tempted to go on into an area of diminishing returns.

In scientific research in Australia and New Zealand, we have to tailor the work to the capabilities, and hope that the armed forces will take up any of the more useful output. Defence scientific research must also be related to the country's strategic position and defence needs. There is little point in developing something that will never be used, although sometimes research on one not very useful project has led to important developments in another very useful one. Ikara is a case in point - it has become a most sophisticated anti-submarine weapons system. It is also decidedly relevant to the defence of Australia, although it is almost irrelevant to operations in South-east Asia.

Should the two countries exclude work on nuclear weapons technology? This will be discussed again later, but nuclear power reactors are going to be built, and this will provide the source material for nuclear weapons. The problem of nuclear weapons is not knowledge (all relevant facts are known; the metallurgy is easy, the nuclear physics simple), nor finance (both Australia and New Zealand are affluent) - it is manpower. Any 'crash program' would demand every man in the country with the relevant training and skills. This is not suggested. Instead, there is nothing to be lost and much to be gained from gradually building up the relevant technology, and it does not need to be publicly heralded.

Defence science came to Australia after World War II. The 'Joint Project' with the United Kingdom (Salisbury, Woomera, Maralinga) met British requirements, and was seen by Australia as a means of access to advanced techniques. Australia quite quickly 'bought into' the operation, until it provided almost half the scientific effort, although it traded far too long on the British taxpayer for financing the activities.

One development forced on Australia by geography was to test and adapt equipment for tropical conditions. Much British equipment was not suitable for South-east Asia. Thus facilities were built up in Queensland which have been useful to both Britain and the United States. Australia also found it essential to have its own aircraft support facilities, and there have been substantial achievements in aircraft production also.
One of Australia's difficulties for a long time (according to a scientist present) was that it was hard to get the armed forces to declare - perhaps even to decide - their needs. The result was that scientists were putting up ideas to the services. This has now changed, and the services are much more attuned to the need of formulating their requirements, and of using scientists both within their organisation and outside it. Defence science in Australia is still rather like the curate's egg. There are also still some problems of communication - between the military and the scientists, the university and the politicians, and between Australia and New Zealand.

In New Zealand, scientists are not formally associated with defence, but are 'drawn into it'. There is a National Research Advisory Council which advises on the flow of research funds.

Australia has drawn on British experience. There is a Defence Research and Development Policy Committee which advises the government on defence research policies. Each of the services has a defence scientist, who is an adviser to the relevant board, with a small research staff. Usually he will have come from the Department of Supply's scientific establishment. This system works well for the services and for Supply. Then there is the Institute for Defence Science, which is officially organised but includes non-official scientific people at its meetings.

Because of their island condition, one field of defence research which would seem to demand Australian-New Zealand defence co-operation is in the maritime area, especially oceanography. Yet New Zealand has just taken its one oceanographic ship out of service. Some research is going on at Auckland, and some in Australia, but not with any sense of vigour or urgency. Other nations are far more active.

Science in defence is related to science in the economy. Both involve the community in the country's needs. The problem often seems to be to get the country to see what those needs are.
6 Australia, New Zealand, and Nuclear Weapons

Hedley Bull

The security of Australia and New Zealand has been affected by nuclear weapons for many years: in the first place because, since the development of intercontinental ballistic missiles and of nuclear explosives with world-wide radioactive fallout, no region of the world is immune from the effects of these weapons, wherever they are deployed; and in the second place because the United States, the Soviet Union, and Britain are known to have deployed weapons in the Asian and Pacific region, where our immediate interests lie. Since 1964, however, the nuclear weapons tests conducted by China, the pressures on India and Japan to follow her, the counter-measures taken by the United States, and the growing sensitivity to nuclear questions throughout the region, have made the problems posed for Australia and New Zealand seem more urgent. These are:

1. Is there a nuclear threat to Australia and New Zealand, and if so what form does it take?
2. What are the steps by which the threat can be dealt with?
3. What is the scope in this matter for co-operation between Australia and New Zealand?

Nature of the Threat

Clearly, Australia and New Zealand are not at present subject to any direct threat of nuclear attack by a hostile power aimed specifically at them. If any threat to them exists or is likely to develop, as a consequence of the possession of nuclear armaments by other countries, it takes one or more of the forms discussed in the following paragraphs.

In the first place, beginning during the next few years, there will be
some possibility, albeit low, of our becoming involved in a nuclear conflict with China. China since her first test in October 1964 has conducted seven explosions. The first of these surprised observers in the West by showing that China had not chosen the easy way and produced a plutonium bomb, but had chosen the hard way and produced a bomb made from uranium 235. The fourth test, in October 1966, according to Chinese claims, took the form of an explosive attached to a missile and fired, demonstrating that China had succeeded in constructing a missile war head. The fifth test, in December 1966, showed that China had exploded a thermonuclear device, indicating that she was well on the way to development of a thermonuclear bomb and in this respect was ahead of France. The sixth test, in June 1967, indicated that a bomb in the megaton range had been developed, and is thought to have been dropped from an aircraft. The Institute for Strategic Studies has estimated that China must already possess a stockpile of perhaps thirty atomic bombs of up to 200 kilotons.

The only possible means of delivering nuclear weapons which China at present is known to possess are a few hundred obsolete jet bomber aircraft, mainly capable of covering only short distances, and about thirty conventional-powered submarines, one of which may be able to fire a missile after surfacing. China is, however, engaged on a missile program, and last September the United States Secretary of Defense, Mr McNamara, said indications were that China would have medium range missiles in a year or so, an intercontinental missile capability in the early 1970s, and a modest force in the mid-seventies. Medium range missiles would not be capable of reaching Australia from bases in China. We do not know whether the Chinese will go all-out for an intercontinental force aimed against the United States, or devote some of their resources to a force able to strike at places nearer at hand; whether they will concentrate on a land-based missile force, or seek also to develop a submarine-based force; or what success they are likely to have in providing their missiles with accurate guidance. But whether from submarine-based systems, land-based systems, or both, it is probable that at some stage over the next five years or so Australia and New Zealand will be in striking distance of Chinese nuclear weapons.

There is no reason to believe that the Chinese intend to strike us, nor that they will develop the will to do so in the years ahead. On the other hand we cannot dismiss the possibility that they will do so. This is not because it is easy to envisage the precise circumstances in which they might come to attack us; it is not. It is because of a general uncertainty
as to what intentions they might develop in a changing political situation which we cannot now foresee.

We have to consider, as well as the case of a nuclear attack on Australia or New Zealand, the case of a threat of such an attack, designed to make us conform to the adversary's will, for example in our policy in South-east Asia. We have to consider as a possible Chinese motive for an attack or explicit threat the desire to bring pressure to bear on the United States, in a situation in which China is unable to threaten retaliation on the United States itself, but can against ourselves and other of America's allies. We should distinguish between the possibility of an attack or threat directed specifically at Australia or New Zealand and one made at the global strategic system of the United States, of which Australian territory (though not New Zealand) forms a part. We should recognise that a Chinese nuclear attack may take the form of retaliation against an attack on China that our American ally has already begun.

In the second place there is some possibility, again very low, of conflict with the Soviet Union. Russia is capable of striking at Australia and New Zealand with ICBMs, orbital weapons, and also with missile-firing submarines. Her total submarine force of 380 vessels is estimated by the Institute for Strategic Studies to include forty equipped with ballistic missiles and forty-four with cruise missiles. About one hundred Soviet submarines are thought to be based in the Pacific.

At the present time there seems no likelihood that a Soviet nuclear attack or threat of such an attack will take place against Australia, except as part of a global war or confrontation between the Soviet Union and the United States, in which Australia, though not New Zealand, is involved because of the presence of American strategic installations on her soil.

On the other hand, should a Soviet-American strategic nuclear war take place, the naval communications station at North West Cape is likely to be a high priority target. Moreover, we cannot exclude the possibility that in altered circumstances some years hence, in which, for example, the Soviet Union is collaborating with an opponent of Australia's in the region and the protection of the United States deterrent force has for some reason been withdrawn or is not operative, a Soviet nuclear threat to Australia may develop.

In the third place there is a possibility, if we are looking a decade ahead or more, that Australia may become involved in conflicts with
other Asian powers which by that time may possess nuclear weapons. India is able to conduct a nuclear explosion at short notice; and while she is unlikely to do so at once, may well do so in a few years time. Japan has a number of obstacles to overcome before she can explode a bomb; and the bulk of Japanese opinion is still firmly against this course. But should she decide to become a nuclear power she could overcome these obstacles in a short time, and because of her industrial and technological eminence, and especially her advanced space technology, she would make a nuclear power of a most formidable kind. Indonesia, which during the Sukarno period claimed to be making a bomb, and Pakistan, which has declared it will make one if India does, are both at present without the basic wherewithal of a nuclear capacity, and seem unlikely to acquire it in the next decade; but over a longer period they cannot be dismissed as potential nuclear powers. Of these countries only Indonesia can now be clearly perceived as a country having possible conflicts of interest with Australia which could lead to war; but we cannot be sure that in the uncertain but probably much more mobile international system of the 1970s and eighties others will not develop such conflicts of interest as well.

In the fourth place we must take account of the possibility that Australia and New Zealand will suffer repercussions of a large-scale nuclear war fought elsewhere in the world, in which our countries are not subject to direct attack or not to any serious attack. These repercussions might or might not include a long-term danger to health, but would be very likely to include dangers arising from dislocation to the world economy and to the international political system. The case for civil defence preparations and for stockpiling of essential imported materials might be made out in terms of this danger alone, even if all the others that have been listed were not thought to warrant any action.

In the fifth place there are a variety of dangers arising from the possible presence on our soil of nuclear explosives or weapons belonging to our allies. British nuclear explosions were conducted on Australian soil from 1952 till 1957 in the Monte Bello Islands and in the South Australian desert. Since the United States and the United Kingdom follow the practice of never either confirming or denying the presence of nuclear weapons on their ships and aircraft, it is not publicly known whether British or American nuclear weapons, apart from the case mentioned, have been present on our territories or not. If they have not, it is possible that they will be so deployed in future, or that such a deployment will be considered. It is also possible that, in co-operation
with foreign countries, nuclear explosions will be conducted in Australia for peaceful purposes.

Such a presence of foreign nuclear weapons or explosives on our soil clearly calls for close attention by our governments. First, the mere public fact of the presence of British or American nuclear weapons is politically significant: it produces a reaction in other countries and affects the course their policies and ours can take. Secondly, the local populations have to be protected by nuclear safety measures against the danger of accident. Thirdly, there is a need to consider the effect on Australian and New Zealand interests of the use or threat of the use of weapons based on our territories, and to secure appropriate control.

**Policy Options**

To summarise the answer to my first question on p. 67 there are no immediate nuclear threats to Australia and New Zealand except those arising out of global war; and those threats which may arise in the future, beginning in the next few years, are only possible and not certain.

In asking how the threats can be dealt with it is important to bear the following considerations in mind. One is that we should dismiss alarmist prescriptions based on the idea that a nuclear threat, in particular a threat from China, is already present or is certain before long to arise. Another is that we should remember that whether or not a threat becomes serious may be determined in part by the policies we ourselves adopt: a policy for dealing with a possible threat from China or Indonesia, for example, must include the attempt to prevent that threat from arising, as well as the attempt to meet it on the assumption that it will arise. Finally we should remember that many small countries in the world find it possible to live with threats or risks of the sort I have described, while in effect doing nothing to meet them. How seriously we take these risks is a matter of what resources we can spare to insure against them, and ultimately of what kind of a nation we conceive ourselves to be, how intent we are to shape our future rather than allow it to be determined by others.

In principle the means by which Australia and New Zealand might seek to deal with the threat are as follows: the pursuit of arms control arrangements; the establishment of an Australian nuclear force; and
reliance on the alliance with the United States. These alternatives are not, of course, exclusive of each other, but any one of them might be given priority.

Arms Control Arrangements

Australian interest in security through arms control has tended to focus on proposals for a regional nuclear-free zone or non-nuclear club: the zone proposal implying the absence of nuclear weapons from the territory, sea and air space of the signatory states, and the club type of proposal implying that these states do not possess or control nuclear weapons. The Australian Labor Party from 1963 to 1965 favoured a vaguely defined proposal for a nuclear-free zone in the southern hemisphere. In 1966 Anthony Clunies Ross and Peter King advanced a carefully thought out proposal for a South-east Asian nuclear-free zone and club, embracing Australia, New Zealand, Indonesia, Malaysia, Singapore, and the Philippines.1 In 1967 a visiting Indonesian scholar, Mr Soedjatmoko, in the course of his Dyason lectures in Australia, put forward a comparable suggestion for a South-east Asian non-nuclear zone.2

Regional arms control schemes of this kind, whether involving a non-nuclear club, zone, or both, cannot in themselves provide the basis of Australian and New Zealand security, since China, which presents the most serious threat, is outside the region. Clunies Ross and King recognise this and assume that Australia will continue to rely on the United States and Britain for protection against China. Mr Soedjatmoko advocates in this connection a joint Soviet-American nuclear guarantee of the area. The question that arises about these regional schemes, therefore, is simply whether they contain promise of a supplementary source of security, on the assumption that the problem of China is dealt with in some other way.

The advantages which are thought to follow from the establishment of a nuclear-free zone, whether in South-east Asia or elsewhere, are these. First, it removes certain hazards consequent upon the deployment of nuclear weapons in the area. Obviously, a zone declared


nuclear-free is not thereby rendered immune from attack by nuclear missiles and aircraft deployed outside the zone. But the absence from it of strategic nuclear weapons likely to be high priority targets for an adversary may improve the chances that an area will not come under attack. And the absence of tactical nuclear weapons in the hands of ground forces confronting one another reduces the danger of unintended expansion of a conflict from the conventional to the nuclear level: this has been one of the reasons, for example, underlying proposals for a nuclear-free zone in central Europe, such as the Rapacki plan.

Secondly, a nuclear-free zone, if it includes the whole territory, sea and air space of the signatory states, in effect establishes a non-nuclear club. (There is the theoretical possibility that such a state might control nuclear weapons deployed on foreign soil or on the high seas.) It provides a means of facilitating joint decisions to remain non-nuclear where there are potentially antagonistic states each of which is likely to seek nuclear weapons if the other does. Australia and Indonesia are potential antagonists, even though Australia is much closer than Indonesia to being capable of constructing a bomb, and each country may in time wish to do so irrespective of what the other does.

Thirdly, an agreement establishing a nuclear-free zone (like any other arms control agreement) may be thought valuable politically and psychologically as an expression of détente among rival states and as providing further confirmation of it.

The Australian and New Zealand governments have firmly rejected regional nuclear-free zone proposals on the ground that they would exclude allied nuclear weapons from the area. Clunies Ross and King argue that the United States has no need of nuclear bases in Australia and that Australia can continue to enjoy the protection of the United States nuclear umbrella while forming part of such a zone. The Australian and New Zealand governments have not expounded the thinking that underlies their decisions, but the following considerations are persuasive:

1. The United States government, for whatever reasons, is evidently strongly opposed to a nuclear-free zone in this area; and an Australian initiative in this field would incur a political cost in terms of relations with our major ally.

2. The North West Cape naval communications station could be regarded as inconsistent with nuclear-free status; and in this sense the Australian government opted against any nuclear-free zone scheme in concluding the agreement that established the station. The naval station does not contain any nuclear weapons; and whether or not its existence is
consistent with Australia's nuclear-free status under a zone agreement would be a matter of the way the latter term was defined. But it would in any case embarrass Australia in negotiating any such agreement.

3. Australia and New Zealand may well have an interest in preserving the option of having United States or conceivably British nuclear weapons on their territory. The presence of such weapons might be thought to strengthen the American or British commitment.

4. A nuclear-free zone would restrict the movement of United States and British armed forces in the area, even in cases where they are not equipped with nuclear weapons. Unless the United States and the United Kingdom were to alter their practice of never either confirming or denying the presence of nuclear weapons on their ships and aircraft a formalised non-nuclear zone would mean that British and American military aircraft and ships capable of carrying nuclear weapons could not visit countries in the area at all. Britain has had to modify the practice in the case of visits by Royal Naval vessels to Ceylon, which has declared that it will not allow nuclear weapons on its territory. 3

Underlying the nuclear-free zone proposal there is at least one sound idea, namely, that if neither Australia, Indonesia, nor other states in the area have any present intention of acquiring nuclear weapons and hope the others will desist also they have every interest in making their intentions known. But this they are doing anyway, both in defining their position in relation to the proposed non-proliferation treaty and in other contexts.

The Non-Proliferation Treaty

The Australian government is now considering its attitude to the Non-Proliferation Treaty. In March 1968 the United States and the Soviet Union tabled their latest agreed draft of the Treaty at the Eighteen Nation Disarmament Conference at Geneva. Together with the United Kingdom, these two countries have sought to induce non-nuclear states to sign the Treaty by announcing their willingness to assist non-nuclear countries that are signatories of the Treaty, in the event of their being subject to nuclear aggression or the threat of it. When Australia stated her attitude to the Treaty to the United Nations General Assembly in May 1968, she made it clear that she had not yet decided whether to sign the Treaty.

3 See statement by Mrs Bandaranaike, Ceylon Senate, 23 January 1964.
Australia, New Zealand, and Nuclear Weapons

What are the implications for us of signing the draft Treaty as it stands? Australia would be bound under Article II, the central provision of the Treaty,

not to receive the transfer from any transferor whatsoever of nuclear weapons or other nuclear explosive devices or of control over such weapons or explosive devices directly or indirectly, not to manufacture or otherwise acquire nuclear weapons or other nuclear explosive devices, and not to seek or receive any assistance in the manufacture of nuclear weapons or other nuclear explosive devices.

In other words Australia would be obliged not only not to manufacture nuclear weapons or acquire them from abroad, but also not to manufacture or acquire nuclear explosives for peaceful purposes. Moreover, she would be precluded not only from having such weapons or explosives of her own, but also from having 'control over them', an obligation which the Americans and Russians interpret to prohibit certain joint alliance arrangements for the control of nuclear weapons, for example those in which an existing nuclear state does not have a right of veto.

Australia's peaceful nuclear activities (at present confined to one small reactor) would not be curtailed, but along with other non-nuclear parties to the Treaty she would undertake to accept safeguards to prevent diversion of nuclear energy from peaceful to nuclear weapons purposes. These safeguards would be set forth in an agreement to be negotiated by Australia with the International Atomic Energy Agency situated in Vienna.

Australia's existing reactors are in fact already subject to IAEA safeguards. Moreover, if Australia were to opt for a nuclear power and desalination program, and in this connection to buy further reactors and fissionable material from the United States, Britain or other suppliers, these would almost certainly be accompanied by IAEA or bilateral safeguards in any case, as a result of the policies now pursued by donor countries, Treaty or no Treaty. But in the absence of a Treaty obligation Australia might in time build her own reactors and become independent of foreign suppliers of plant and fissionable material, and in this event the independent part of her program would be unsafeguarded. Signature of the Treaty, however, would require Australia to subject all peaceful nuclear activities within her territory or under her control to Agency safeguards.

The Treaty binds its signatories for twenty-five years, after which a conference is to decide by majority vote whether it is to continue in
force indefinitely or for an additional fixed period. However, there is a right of amendment of the Treaty by vote of a majority of the parties to the Treaty including all the nuclear-weapon states parties to it and all the states then members of the Board of Governors of the IAEA. This amendment procedure is robbed of much of its force by a provision that amendments enter into force only for those parties to the Treaty that accept them.

Five years after the entry into force of the Treaty a conference is to be held to review its operation; and (at the insistence of the Swedes, who hope in this way to keep up the pressure in the nuclear weapon states to fulfill their obligation under the Treaty to pursue negotiations on their own nuclear disarmament) the latest draft states that further such conferences may be convened at five-yearly intervals thereafter. Most importantly, a signatory state has the right to withdraw from the Treaty 'if it decides that extraordinary events, related to the subject-matter of this Treaty have jeopardised the supreme interests of its country' (the identical language of the 'escape clause' in the Partial Nuclear Test Ban Treaty of 1963). In the event of withdrawal a state must give three months' notice to the UN Security Council and to the other parties, and state its reasons.

Should Australia sign the Treaty? An attitude of open opposition to the Treaty, like that taken up by France and China, is out of the question for Australia except in the context of a radical change in the whole direction of her foreign policy. Such open opposition would be interpreted as a declaration of intention to acquire a nuclear weapon. It would make Australia a pariah in the Western world. And it would disrupt our present relationship with the United States.

The most Australia might do is, while welcoming the Treaty in principle, to negotiate about its detailed provisions in such a way as to help destroy it in practice. This is what certain other potential nuclear powers are likely to do, though perhaps without much hope of success. The choice for Australia is between doing this, and negotiating the terms of the Treaty in good faith. Australia should do the latter for the following reasons.

First, in common with other nations Australia has an interest in controlling the spread of nuclear weapons, which in the long run represents a danger to international society as a whole, abstract though this may seem. The Treaty will not by itself halt proliferation; and even buttressed by other measures it may well prove insufficient - in the long view of history it is most improbable that the present five
nuclear powers will preserve their monopoly. But the Treaty does register world concern about this problem; it will serve to exert some measure of control over the process of proliferation; and for the moment it will perform a holding operation.

Secondly, Australia has a stake in the configuration of international politics which the Treaty expresses and will help to solidify. The Non-Proliferation Treaty is the chief enterprise now being pursued in common by the United States and the Soviet Union. It symbolises the hegemonial position of these two countries and their willingness to combine to preserve it against the challenge of newcomers, especially China. Australia stands to gain from the development of co-operation between America and Russia in support of the political status quo.

Collaboration between the United States and the Soviet Union in strategic affairs has taken a further step forward with the announcement that together with Britain these countries are prepared to assist non-nuclear signatories to the Treaty that are subject to nuclear aggression or the threat of it. The Security Council is to be asked to pass a resolution recognising that in the event of such aggression or threat of it 'the Security Council, and above all its nuclear weapon state permanent members, would have to act immediately in accordance with their obligations under the United Nations Charter'. The Security Council would also 'welcome the intention expressed by certain states that they will provide or support immediate assistance'; and would reaffirm 'the inherent right recognised under Article 51 of the Charter, of individual and collective self-defence if an armed attack occurs against a member of the United Nations, until the Security Council has taken measures necessary to maintain international peace and security'.

The weaknesses of this assurance are obvious. The three nuclear-weapon states have not taken on any obligations they do not already have under the existing provisions of the Charter; they have merely restated their obligations and asserted their intention to act and their right to do so. They have not said what sort of assistance they would provide, and in particular have not said they would respond with nuclear weapons. They have not said they would resist nuclear attack or threat of it, but only 'aggression', a term notoriously subject to private definition. Most importantly, the actions of great powers in situations of crisis involving the possibility of the use of nuclear weapons are determined not by previous declarations of this sort but by their assessment of their interests and objectives at the time.

No country can treat the Anglo-American-Russian statement as the
long-term basis of its security; and as far as Australia is concerned it is much less important than the guarantee we already have in the ANZUS Treaty. However, the statement does strengthen Australia's position, at least in the short run. The fact that the Soviet Union is prepared to join with America and Britain in this pledge does indicate a Soviet calculation that in the event of China's attacking or threatening her neighbours with nuclear weapons, and the United States coming to their support, the Soviet Union would be unlikely to want to back China, and would at least stand aside, even if she did not take action against China herself.

The three-power declaration, it is to be hoped, will cause some reassessment in Australia of our present relations with the Soviet Union. As against the present tendency to treat Russia as, along with China, a potentially hostile power the extension of whose influence in Asia is necessarily injurious to us, the new declaration should help to dramatise what has for some time been obvious, namely, that Australia has some important objectives in common with the Soviet Union, and that increased Soviet activity in this part of the world, to the extent that it diminishes Chinese influence rather than that of the West, could redound to our advantage.

Thirdly, Australia will not be prevented by the Treaty from going a long way towards providing the military nuclear option which, it will be argued, she needs. Australia is not subject to any immediate nuclear threats except those arising out of a global war between the United States and the Soviet Union. Nor can it be demonstrated that in the years ahead we shall be subject to any such threats. It is, however, possible that before long China will threaten us; that at a greater distance of time we might find ourselves in conflict with a nuclear-armed Japan or Indonesia; and that in one of these contingencies the United States will be unwilling to provide us with adequate support.

An ability to provide ourselves with a nuclear weapon at short notice would give Australia some insurance against these contingencies, while at the same time strengthening her diplomatic leverage in relation to both allies and opponents. The Treaty precludes the manufacturing of a nuclear weapon or explosive. But consistently with the Treaty Australia can get much closer to being able to do so than she is now. She can proceed with the purchase of reactors for electric power and desalination purposes, which is widely held to be desirable on long-term economic grounds, and which would lay the basis for a military option. She may be able to take preliminary steps short of manufacture, by way
of research and development studies, that would shorten the time necessary for development of a bomb. She can proceed to equip herself with a possible delivery system in the form of the F-111 aircraft. Moreover Australia could, if in time she wished to do so, proceed to acquire nuclear-powered naval vessels. The Treaty, as an American statement on 18 March 1968 made clear, prohibits use of peaceful nuclear materials for nuclear weapons purposes, but not for other military purposes; and the dissemination of nuclear-powered propulsion machinery is not prohibited.

Australia at present is not in the front rank of potential nuclear-weapon powers. India, Japan, Germany, Italy, Canada, Israel, for example, all have substantial reactor programs and are years ahead of us. The freezing of the process of preparation at the stage prior to manufacture of a nuclear explosive operates in favour of more backward countries that wish to catch up.

Should Australia decide to use the plutonium produced in her reactors to construct a nuclear explosive she could do this only by exercising her right of withdrawal from the obligations of the Treaty. In any circumstance in which an Australian government wanted to do this, it is very likely that other signatories of the Treaty would be doing the same, and that our withdrawal could be executed without difficulty. At the very least, it is difficult to envisage Australia's seeking to withdraw from the Treaty in circumstances in which India, Japan, and Indonesia are still faithful to it.

Fourthly, the argument that signature of the Treaty would hamper our peaceful nuclear activities, though it gives rise to some legitimate concern, is not very persuasive. Our interest in using nuclear explosives in Australia for peaceful purposes is met by a provision imposing an obligation on nuclear-weapon states to make available the benefits of such explosions to non-nuclear signatories bilaterally or through an international body, through appropriate international procedures, the charge being as low as possible and excluding the cost of research and development.

It is possible that there is more force in the objection that exposure of the peaceful nuclear activities of non-nuclear states to Agency safeguards, to which nuclear states are immune, will create a risk of commercial espionage to the advantage of the latter. Because of Soviet refusal to allow Agency inspectors on her territory, the Treaty is discriminatory in subjecting only non-nuclear countries to safeguards.

How great the danger of discrimination is cannot be known until
Australia and other non-nuclear signatories negotiate the details of the safeguards system with the IAEA. It should be noted, however, that in December 1967 the United States and the United Kingdom declared that they would submit all their peaceful nuclear activities to Agency inspection, in the event of the Treaty coming into force. The Treaty insists that safeguards must be exclusively for the purpose of verifying the obligations laid down in it. It upholds 'the inalienable right of all the parties to the Treaty to develop research, production and use of nuclear energy for peaceful purposes'. It seems unlikely, moreover, that a relatively backward nuclear country like Australia would be as much put at a disadvantage by commercial espionage, assuming that a risk of it exists, as a country such as Germany which is a genuine competitor with the military nuclear powers in peaceful nuclear techniques.

Australia's representatives should and no doubt will seek to avoid any discrimination, and in this they will receive ample support from the other major non-nuclear countries concerned. But Australia should consider the issue of discrimination in peaceful nuclear activities on its merits, and not follow the example that is likely to be set by certain other potential nuclear powers, which will play up this issue in the hope of torpedoing the Treaty itself.

An Australian Nuclear Force

Australia is capable of providing herself with nuclear weapons should she decide to devote effort and resources to this end. Almost certainly hopes that have been expressed that she might acquire them from abroad are illusory: assistance might be received in providing components of a nuclear weapons system, such as missiles, communications systems and warning systems, but nuclear explosives, bombs or warheads have not yet been transferred by one country to another, and transfer by the United States or the United Kingdom would be contrary to the whole logic of their anti-proliferation policies and politically impossible for as long as can be foreseen. On the other hand Australia possesses the raw materials, the scientific and technical skill, the economic resources, and the space to manufacture and test a nuclear explosive herself, although great obstacles would first need to be overcome.

Australia does not at present possess stocks of enriched uranium or plutonium, necessary for construction of an explosive device. An
enrichment plant for Australia's stocks of natural uranium would appear to be out of the question for financial and other reasons; nor, in the present political climate of the world, could enriched uranium be imported (as the United Kingdom at present still imports it from U. S. A., for example) without the imposition by the donor of safeguards precluding its use for military purposes. A plutonium stockpile could be accumulated if we had a nuclear power program; but at present we do not have one. When we do get one it will be with the assistance of foreign countries which, again, almost certainly will insist on safeguards precluding the accumulation of an Australian plutonium stockpile for military purposes. In time we should be able to construct nuclear plant without foreign assistance, but even here it is possible, for example, because of our signature of a non-proliferation treaty including a provision to this end, that there will be comprehensive safeguards over our entire peaceful nuclear plant and materials. The establishment of a military nuclear program, even of a minimal one of conducting an explosion and accumulating a small stockpile of a low-yield atomic weapons, would impose a heavy burden on our defence expenditure and a drain on our slender scientific resources which an Australian government could now be impelled to do only by some sense of emergency.

The Australian government has repeatedly stated that it has no intention of developing nuclear weapons, although it has not committed itself never to do so. The reason Mr Dedman, Minister for Defence and Post-war Reconstruction, gave in 1946 was that 'We do not consider that we possess either the scientific or the industrial resources necessary to develop the atomic bomb in this country'. By the time Mr Menzies as Prime Minister made his statement to Parliament of 19 September 1957, these reasons had ceased to be valid. But if Australia were to set out to become a nuclear power, according to Mr Menzies,

we would be involved in such prodigious expenditures as to involve either an intolerable total defence vote or a heavy degree of abandonment of non-nuclear elements. There are two reasons why we should not do this.

One is that there is advantage for the world in having nuclear and thermo-nuclear weapons in the hands of the United States, the United Kingdom and the Soviet Union, and in no others. These Great Powers ... are sufficiently informed about the deadly character of these

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weapons to find themselves reluctant to cause a war in which they are used. The possession of these violent forces is, in the case of these great nations, a deterrent not only to prospective enemies but to themselves.

But should the manufacture of nuclear weapons be extended to a number of other powers, great or small, the chances of irresponsible action with calamitous repercussions in the world would be materially increased. The Government, therefore, has acted and proposes to act upon the footing that, apart from the co-operative experimental work at Woomera and Maralinga, Australia's immediate plans for defence should be in the conventional field.

The second reason is that ... a clash of conventional forces and arms in South-East Asia is not to be dismissed as improbable.5 Speaking to the UN General Assembly on 1 November 1966, Sir James Plimsoll reaffirmed that 'The Australian Government has said that it has no present intention to acquire or manufacture nuclear weapons'. In a letter to the UN Secretary-General in 1962, however, the Australian government stated that it could not undertake that in no circumstances would Australian forces in the future be armed with nuclear weapons. The latter phrase could be taken to refer to the arming of Australian forces with allied-controlled nuclear weapons under a 'double-key' system, rather than to weapons under purely Australian control.

It is not possible to find among the writings and utterances of advocates of an Australian nuclear force any precise doctrine as to what sort of force Australia should possess, what uses it would have or how it would be acquired. Some advocates see the force as providing an answer to the nuclear threat from China or elsewhere; others see it as a means of deterring or repelling superior conventional forces that are bearing down on Australia by land or sea. Some appear to envisage it as a global strategic force, posing a threat to Chinese and even Russian cities;6 others see it as directed against a weaker power such as Indonesia, or even as a land or naval tactical or battle field nuclear weapon. Senator McManus of the Democratic Labor Party believes it might be acquired by manufacture, by supply from friendly nuclear-armed nations, by 'inducing nuclear armed nations to station nuclear armed forces in Australia', or even 'by

joining with threatened non-nuclear countries in our area in a co-operative effort to produce nuclear weapons for our own defence. No one appears to see it as a means of breaking free of the American alliance (the advocates of 'armed neutrality', who might have been expected to have fathered the concept of a nuclear Australia, have resisted this implication of their position), but they have not provided any analysis of the effect such a policy would have on America's willingness to protect us, nor of the assistance from the United States in the construction of an Australian weapons system that would have to be presupposed or that could be expected to be forthcoming.

No nuclear force that Australia could construct in the foreseeable future could be used convincingly to threaten a super power such as the Soviet Union. Such a force would need to be able to achieve some significant probability that it would survive destruction in an enemy disarming attack, and penetrate enemy defences with high destructive effect. Australia is unable on her own to enter into sophisticated missile technology; nor is it likely that the United States would make available to us the advanced weapons of this sort, even supposing we could afford them. The British, it is true, have bought Polaris missiles from the United States, but this deal arose out of the very special circumstances of Anglo-American nuclear collaboration in the war and early post-war period; it has led to such great embarrassment for United States policy elsewhere that it is unlikely to be repeated; and it is now unlikely that the British will follow up the Nassau Agreement with further purchases from the United States that will replace the simple Polaris system with more advanced weapons that are already outdating it, without which it is doubtful whether the viability of the British deterrent of Russia can be prolonged into the era of Soviet ballistic missile defences.

Merely by conducting an explosion Australia would create certain political effects elsewhere in the world. Equipped with a small stockpile of nuclear weapons and the F-111 aircraft or some successor to it, or with a 'primitive' missile, she might be able to threaten Indonesia convincingly, depending on the state of Indonesian radar and ground-to-air missiles by that time. Whether or not she could threaten China if so armed it is hard to judge in the presence of so many unknowns: the availability to Australia of air refuelling or of air bases closer to China, the state by that time of China's defences, the willingness of the United States to sell and of the Australians to buy the sort of

7 Australian, 15 November 1967.
It is difficult to envisage the use of Australian nuclear weapons in a 'tactical' capacity to defend our territory or positions we might occupy in South-east Asia, or to destroy an invasion fleet approaching our shores. It is true that although no hostile power is at present capable of sending an invasion fleet to Australia, in the period of a decade or so hence which we are considering, certain potentially hostile powers might have acquired this capacity. But we have also to assume a reversal of the present attitudes of the major powers towards the use of nuclear weapons. United States policy is now deeply impregnated with the notion that the most important limitation in war is that between nuclear and non-nuclear, that the development of a tradition of non-use of nuclear weapons is central to the prospects of the long-term survival of international society, and that this consideration rather than any local military one must be overriding in any decision about the initiation of nuclear warfare. At the present time the United States would be highly critical of the planning of Australia's defence along such lines.

It is quite premature to envisage, as some have done, an Australian nuclear force which takes the form of a Ballistic Missile Defence ('anti-missile missile') system. It is not inconceivable that in the event of the development of a Chinese missile threat to Australia, the deployment in Australia of an American-controlled or jointly-controlled Ballistic Missile Defence system could provide reliable protection for Australian cities against a Chinese missile force which is still numerically small and without advanced penetration aids. But the Americans are not at present thinking in terms of deploying BMD systems abroad or selling them to allies. Australia is certainly incapable of entering this field of technology on her own.

An Australian decision to embark now on the direct acquisition of a military nuclear capability would be clearly most unwise. It would provoke elements favourable to the acquisition of nuclear weapons in Japan, India, and Indonesia, and isolate Australia in the United Nations. It would upset the present basis of our relations with the United States, which would then have to be reassessed in terms of the willingness of our ally in those circumstances to continue protecting us, to provide the new forms of assistance that an Australian nuclear program would generate, and to continue her present co-operation with us in other fields. It would impose a burden on our economy which would not be justified by the magnitude of the threats which now exist. And (as will be argued in the next section) it is rendered unnecessary for the time being by the adequacy of the American guarantee.
Reliance on the United States

The policy which the Australian government actually follows in relation to the nuclear threat is that of reliance on the United States.

Such a policy has certain disadvantages. As one group of critics point out, it is out of our alliance with the United States that some of the risks of nuclear conflict arise: the present threat of nuclear attack by the Soviet Union arises almost exclusively out of the presence of American strategic installations on our soil, and the threat of attack by China arises partly out of our alliance. As another group of critics contend, we cannot be sure that in every crisis, especially one arising in the period when China is able to launch ICBMs at the United States, that the United States will come to our aid, or that her undertakings to do so will seem convincing. To this it can be added that Australia, in common with America's other Far Eastern allies, and in contrast with America's European allies in NATO, has not been given any explicit assurance that nuclear weapons would be used in her defence should this prove necessary.

The risks that the alliance incurs, however, have to be weighed against the risks of facing potentially hostile powers in the years ahead without United States support; and these risks have to be assessed over the whole range of our external relations, and not merely in terms of nuclear weapons.

For the present, the United States is immune to nuclear strikes from China, and can threaten to attack China without fear of retaliation. At the same time the United States is in a position to eliminate China's nuclear capacity, and thus prevent Chinese nuclear attacks on other countries, possibly even without using nuclear weapons. But by the mid-1970s, as mentioned above, China is expected to possess an ICBM force. Moreover, China at some stage may be able to make part of her strategic nuclear force invulnerable to a United States disarming attack.

If and when this happens, it will not necessarily follow that American assurances of nuclear support to Australia will become incredible. The United States has begun to deploy a Ballistic Missile Defence force designed primarily to protect American cities against attack by China; and this is expected to be in operation by the time the Chinese ICBM threat materialises.

In Europe, even without any prospect of the effective defence of American cities against a large-scale Soviet attack, the American
guarantee retains its credibility in most West European minds, French strategic reasoning notwithstanding. The factors that have brought this about (the evident importance to the United States of the continued independence of Western Europe; the presence of a large American armed force and its dependants; the 'manifest mechanism of escalation' implanted by the presence of tactical nuclear forces in the path of Soviet advance) do not all operate for America's Far Eastern allies. But some of them could be made to operate in favour of the idea of strategic indivisibility of Australia and America, should the governments of the two countries seek to bring them about.

 Granted reliance upon the United States as the basis for the time being upon which Australia is seeking and should seek to deal with the nuclear threat, what supplementary steps can she take?

 First, Australia can within the framework of the American alliance, define her own strategic interests and seek to ensure that they are provided for. No doubt this is already being done; and no doubt also it is easier to state this need in general terms than to say in detail what they are or how they can better be secured.

 If, however, one compares the voice that Australia appears to have in affecting American decisions in the nuclear weapons field with that of a non-nuclear member of NATO, such as Italy, Holland or Belgium, it is minimal. In NATO fora such as the Council of Ministers, the new Nuclear Committee that has been set up, the meetings of arms control experts, America's allies have access to and can express views about such aspects of American policy as strategic targeting information and war plans, the size, nature, and deployment of American nuclear forces, the implications for the alliance of vital changes in strategic policy (the recent American decision to deploy BMD came after extended discussion in NATO which has had no apparent counterpart in America's Far Eastern alliances, even though it was primarily in relation to China that the decision was taken), objectives and tactics of arms control negotiations and so on.

 Australia's strategic interests overlap with those of the United States, but they are different; and when they are shared with America's, Australia may interpret the common interest in a different way. America's China policy; her policy in the field of nuclear control; the choice and deployment of her strategic weapons; her thinking about the circumstances that could lead to war; her doctrines about the way in which war should be conducted - are all of vital concern to us.

 Because there does not exist in the Far East anything resembling
NATO (clearly nothing serious can be discussed in a grouping such as SEATO), Australia and New Zealand have to confront the United States alone in the councils of ANZUS, or with other minor powers allied in Vietnam as in President Johnson's Manila conference. Australia does not have the advantage which comparable European allies of the Americans have of being able to participate in multilateral discussions in which the pace is set by major powers such as Britain and Germany. One question this raises is whether Australian interests vis-à-vis America would not be better served in a body in which Japan also took part, granted that this is not practicable in the defence field at present.

Secondly, there is a strong case for Australia's taking the first steps towards acquiring a military nuclear option by developing a nuclear reactor program for power and desalination purposes. Such a capability would provide some insurance against the possibility that, perhaps a decade or more hence, a greater nuclear threat to this country than now can be foreseen should arise, at a time when the implied American nuclear guarantee is extremely uncertain. At the same time Australia's bargaining power, in arms control matters and alliance matters, would be augmented by an evident capacity to carry through a military program at short notice. Some authorities consider that a substantial reactor program can be justified on economic grounds for purposes of electric power and desalination. Whatever the economics of the case it would be wrong to consider this matter in terms of the economy alone. It would be important in carrying through a reactor construction program not to emphasise its possible military implications, and not to allow it to become a source of encouragement to the international political developments against which it would be intended to provide insurance. As has been argued above, the foundations of such a program can be laid consistently with adherence to the Non-Proliferation Treaty.

Thirdly, Australia should seek to encourage the United Kingdom to preserve a capability to use nuclear weapons in support of Australia. With the cancellation of the British F-111 force it is uncertain whether, after the demise of the V-bomber and Canberra forces, the United Kingdom will possess any aircraft capable of carrying nuclear weapons and operating from bases in or near Australia. There are also uncertainties about the deployment of the British Polaris force and consequently its utility as a threat to countries in the Asian and Pacific region. Moreover, it is very hard to envisage circumstances in which a British government would use nuclear weapons over an issue not
directly concerning the security of the United Kingdom.

Nevertheless, although both capability of Britain to deploy nuclear forces outside the European/Atlantic area and the credibility of any threat on her part to use them there must be taken to be dwindling, neither is likely to reach vanishing point for some time yet. It would be folly to build any hopes on this, but Australia has an interest in salvaging this element of the British presence and is in a good position to exert influence to this end.

This paper has necessarily been concerned chiefly with Australia's problem. New Zealand's position is different. Unlike Australia, New Zealand is not a potential nuclear power. She does not harbour vital American strategic bases. She is not affected by those premonitions of manifest destiny that have a marginal effect on the foreign policy and defence debate in Australia. Her geographical position and interests make her less sensitive than Australia to developments in Asia, and more to affairs in the Pacific, as she had displayed in her sharper reaction towards French nuclear tests in that area. Her non-nuclear policy has been enunciated in similar terms to Australia's: 'New Zealand has no nuclear weapons', Mr Holyoake said on 31 May 1963; 'we have no intention of acquiring any, and there are no nuclear bases on New Zealand territory. The Government has no plans which would alter this situation.'

New Zealand's interest in this matter appears to be in determining for herself what policies she would prefer to see Australia adopt in relation to the nuclear problem, and in making representations to this end. Australia's chief interest in relation to New Zealand is probably that of keeping her in line, ensuring that on matters such as representations to the United States, the attitudes of the two countries towards arms control negotiations and the stationing of American and British forces, the two countries adopt common positions. This they have so far done, but the more important choices lie ahead.

Discussion

Apart from the protective or deterrent aspect of nuclear capacity, there is also the question of its use as a political weapon, an instrument for gaining influence. China has made as much use as possible of her nuclear developments to extend her political influence in Asia. Were 8

the United States to decide to leave the Asian mainland, the Chinese nuclear threat might be sufficient to make the whole of South-east Asia subservient to Peking. If India, Japan, or Indonesia produces nuclear weapons, it will be partly to gain international prestige and influence, partly to satisfy domestic demands for national status. But such decisions are not taken in an international vacuum. Many kinds of pressures can be exerted, including foreign aid, which can also be used as a means of developing other sources of power and thus reducing the need for nuclear power stations. If India or Japan acquired nuclear weapons, it is more likely that Australia would also acquire them.

Under what circumstances would Australia have its own nuclear weapons, and use them? This has never been properly debated. Might it be best to develop anti-missile defences? The problem here is their effectiveness and credibility. It has yet to be shown that a defensive nuclear capacity offers anything approaching total protection, or can act as a deterrent. Only, a strike force is believed to deter. Bacteriological weapons are not seen as a deterrent against nuclear attack.

One can take different views about the proposed Non-Proliferation Treaty, as about the earlier Partial Test-Ban Treaty. The latter places only limited restrictions on development and testing, but the world feels safe for the treaty, and the United States at least has chafed under it. New Zealand's view on the Non-Proliferation Treaty might well be that it serves her interest in world order and stability, and therefore there is little point in haggling over details. Plenty of other powers, with much more clearly defined objections because of interests on which the treaty will impinge, will be lodging their objections.

Yet New Zealand should not close off now the options still available—indeed she should widen the range of options. One way would be to collaborate with Australia in developing a nuclear industry, related especially to energy programs. New Zealand might also take over some aspects of the chemical separation process. On the other hand it would not make sense for New Zealand to develop nuclear power stations which competed with hydro-electric power. And New Zealand would have qualms about any further testing of nuclear weapons in Australia.

The Non-Proliferation Treaty, if put into effect, will clearly increase the dependence of the non-nuclear states on the nuclear states. It will also create further moral pressures against atmospheric testing by nuclear powers.
The only circumstance in which Australia would be likely to go ahead and make a nuclear bomb would be if several other countries, at present non-nuclear, were doing so. Then the whole current structure of international legal obligations and sanctions would be collapsing, and Australia would be likely to have the support of Britain and the United States in disregarding those sanctions. For the present, one cannot discount the American guarantee under ANZUS.
The aim of this paper is to explore the sources of likely divergence between the defence policies of Australia and New Zealand over the next decade, and to suggest ways of minimising this divergence. It will be assumed that the main objective of both countries is the greatest extent of co-operation possible which does not deprive either of the ultimate right to make its own decision.

It is convenient to examine the sources of divergence under nine headings.

1. Geography

While it is true that their geographical location put Australia and New Zealand into a similar strategic predicament, it is also true that their difference in geographical location in relation to the anticipated possible threats to their security leads to a different sense of awareness of these threats. New Zealand is over three thousand miles further away from Indonesia or any other part of Asia than is the Australian mainland. This extra distance includes the large landmass of the Australian continent and a further twelve hundred miles of ocean.

The implication of this is that New Zealanders' ranking of defence priorities is lower than that of Australians. Defence has a more difficult struggle in New Zealand against other urgent calls on public expenditure. The comparison here, of course, is between New Zealand attitudes and the aggregate of Australian attitudes. One would expect Australian attitudes to vary from state to state, with some relationship to the geographical position of that state in relation to Asia.
2. Different Core Areas

The concept of 'core areas' developed in regional integration studies is relevant to a discussion of the relationship of Australia and New Zealand with other countries. According to Karl W. Deutsch et al., studies of a number of integration movements showed that the development of a strong core, or nucleus, seemed to promote integration if the core area had certain capabilities. One was the capacity to act - a function of size, power, economic strength, and administrative efficiency. The other was ability to respond to the other units involved. These core areas were larger, stronger, more advanced political units around which integration developed.¹

Core areas, and their accompanying relationships of dependence, may not only be competitive with each other but may also cover different sectors, with varying degrees of overlap. It is not uncommon, for example, for different core areas to predominate in the security and economic sectors.

Australia and New Zealand are both dependent on the same core areas, though for New Zealand Australia itself is an increasingly important core area in both the security and economic sectors. For both countries their mutual relationship is likely to be less important than their relationships with core areas outside the region, and is likely to be affected by differences in these outside relationships.

In the security sector the United States is the main core area for both countries, replacing Britain. But Britain has been and is likely to remain more important to New Zealand in this respect than to Australia, largely as a consequence of an overlap from the economic sector where Britain is still New Zealand's main core area. The feeling of a special relationship with Britain is still strong in New Zealand. In practical terms the different trading patterns of Australia and New Zealand could lead to different defence emphases, particularly in the fields of weapons procurement policies and standardisation.

3. Different Leadership Responsibilities

As existing and former colonial powers both Australia and New Zealand are core areas for a variety of territories in the Pacific Ocean, with

Australia being especially concerned with New Guinea and New Zealand with Samoa and the Cook Islands. The special relationships of these territories with their core areas has led and is likely to continue to lead to a different emphasis in the two countries' defence policies.

4. **Disparity of Resources**

With Australian population and national income between four and five times that of New Zealand the relationship between the two countries can never be one of a partnership of equals. A close relationship between the two countries will be subject to the two dangers of (a) the larger partner not taking any notice of the smaller, and (b) the smaller partner trying to gain equal say.

5. **Relative Benefits from Increased Defence Effort**

Both countries have in the past suffered from the feeling that any contribution they make is insignificant beside that of their major allies, at least in non-war conditions, and that their defence efforts should be confined to a residual home defence capacity with sufficient beyond that to ensure the viability of their alliances with protecting powers. Australia is moving out of this position because her economy is sufficiently developed for her to make a defence effort impressive by comparison with that of most other states in South-east Asia. Australia appears to be crossing the threshold of defence effectiveness whereby extra defence expenditure increases her ability to affect significantly events in Asia. New Zealand by itself will never cross this threshold.

The consequences appear in the defence policies of the two countries. Australian statements include more frequent reference to national objectives, such as the aim of countering communist aggression in South-east Asia, and the aim of pursuing close friendship and co-operation with non-communist Asian countries. New Zealand statements reflect a more dependent position, exemplified by the statement in the 1966 Defence White Paper of one of the main objectives in relation to national security:

(d) To establish a claim upon our major allies for consultation, a voice in important decisions, and in the last resort, and most importantly, military assistance and protection in time of need. This requires
New Zealand to demonstrate willingness and ability to assist our allies in matters affecting their national interests.\textsuperscript{2}

The implication of the different resource positions of the two countries is that for Australia there are probably marked gains to her in increased national power and prestige if she increases defence expenditure; for New Zealand there are only slight gains, apart from the feeling of pulling one's weight in an alliance and appearing to do so in order to increase the likelihood of future protection.

6. Relative Costs of Increased Defence Effort

The costs of increased defence expenditure have to be measured in terms of economic development and social services foregone, or of taxation increases. The strain of this increased expenditure in New Zealand hits in two ways not felt to the same extent in Australia: (a) with no defence industries defence expenditure is completely non-productive and (b) imported defence supplies have to compete with goods vital for economic development; this competition is especially severe in a difficult balance of payments situation like the present. Australia, however, with its developing defence industries and large anticipated export earnings in the 1970s, is likely to suffer far less than New Zealand in terms of economic development foregone (though there may need to be restraint on increases in other sectors of national expenditure such as social services). It is sufficiently clear that in any assessment of what each country can afford in expanded defence effort the structure of the two economies will have to be taken into account. Also expanded defence co-operation cannot be divorced from economic co-operation.

7. Party and Electoral Differences

It is obvious that a close co-ordination of defence policies can be affected by the party composition of the governments of the two countries. Present similarities in policies toward involvement in Vietnam might be substantially altered if a Labour government were in power in one or both countries. On the other hand there are likely to be many issues on which party composition may have little bearing, for example in attitudes to Singapore's defence or the relationship with India. The range of opinion in the two is also important. The range on defence

matters appears to be very much greater in Australia than in New Zealand. The danger of strain on trans-Tasman relationships could become very great if the Australian government of the day were to come under the control of one of the extreme wings of Australian politics, or subject to substantial influence. Australian governments are also prone to intracoalition pressures and bargaining which could impede the workings of a close trans-Tasman relationship.

Electorally, too, the governments can be differently placed. Unpopular decisions may be easier in one country than the other because of a strong reservoir of electoral support enjoyed by the party in power, or because of the unpopularity of the Opposition or its leaders. It could be suggested, for example, that the matter of national service has been handled differently in the two countries partly because of electoral considerations.

8. Separate Decision-making Structures

The very existence of two decision-making structures for defence could apart from any of the above factors lead to different end results. Security problems are by nature not amenable to precise measurement, especially since they often involve prediction of possible future events. The hunches, the feelings of optimism and pessimism, and the personal ideologies which influence decisions in this field mean that two separate structures will by such chance influences produce different decisions from time to time. Short of total amalgamation of Australia and New Zealand there will always be some defence policy differences between the two countries.

At present the difficulty is pronounced because each country has a complex mechanism of defence decision-making with few points of contact with the other. There are contacts through the defence liaison officers in the two capitals and there are direct personal contacts between counterparts in the services. These contacts ensure that the working relations of the armed forces of Australia and New Zealand are very close, but so far as can be seen have little effect on policy development inside each country. One reason for this is the absence of direct contact between some of the significant policy-makers, including officials of the Treasury departments. The more frequent meeting of Prime Ministers in the last year is a step in the right direction.

In general the pattern up till now has not been one of joint consultation to develop a common policy but rather one of Australia's making up its
own mind which way it will move and then of New Zealand's making up its mind on the basis of the Australian decision.

Perhaps the present pattern is inevitable given the complexity of Australian machinery for defence decision-making. There are at least nine government departments and nine Ministers in Canberra concerned with defence problems: Defence, Army, Navy, Air, Supply, External Affairs, National Service, Treasury, and the Prime Minister's Department. It is doubtful whether closer relations with New Zealand in defence policy-making could rapidly develop when agreement has to be reached between so many departments and Ministers. The difficulties of co-ordination are so great that more than one observer has commented that the service chiefs in Canberra have a better relationship with their counterparts in New Zealand than with each other.

9. Separate Information Contexts

The parties and the defence decision-making structures exist in the midst of national information contexts. The term 'information contexts' is preferable to 'public opinion', not only because the latter inevitably involves the making of distinctions between different kinds of 'publics' but also because the term 'information context' emphasises the flow of ideas and information within each system. It is this flow which provides the background against which decisions are made by governments.

In this field can be found some rather remarkable gaps in communications between Australia and New Zealand. Each country appears to have insulated itself against receiving information about the concerns of the other. Events are reported but not ideas or discussions of ideas. New Zealand communications channels seem to be devoting increasing attention to Australia but the same process has probably yet to begin in Australia. The New Zealand visitor to Australia will seldom see any mention of his country in the press, except on the sports page. He is therefore not surprised to hear New Zealand seldom mentioned in any serious discussion in Australia about foreign policy; it is almost completely forgotten. This climate makes it difficult for Australian governments to be sensitive to New Zealand wishes. Obviously there is room here for improvement. It could be suggested that government information services in both countries should be much more active in promoting greater mutual knowledge and awareness. Much of the responsibility for improvement must lie with the press of both countries in their interpretation of what is news.
Can all these obstacles be overcome? Certainly some of them seem impossible to overcome short of political amalgamation of the two countries. So long as there are two governments and two communities claiming national sovereignty there will not be a complete identity of approach to defence and some measures, for example a single command structure, will not be possible. Political amalgamation would ensure that the region would speak with one voice on all occasions and make a co-ordinated response to all defence situations. However, this is clearly beyond the bounds of political practicability at the present time.

Nevertheless there are a number of ways in which the effect of the obstacles can be reduced or minimised. These include institutional arrangements by which the policy-making processes of the two countries can be brought in close contact, and further arrangements for providing an economic underpinning for defence co-operation.

The importance of institutional arrangements in the defence field can sometimes be overlooked because of the political frictions that are easily aroused in defence alliances. But the evidence from a number of studies of both defence and economic regional organisations indicates that institutions serve as a focus for regional loyalties, and provide channels for sharing information and means of solving problems in a common frame of reference, especially when there are many matters requiring common or compatible policies. Bruce Russett quotes the case of NATO on this point:

NATO is composed of a number of structures - the North Atlantic Council, the Military Committee, the Standing Group, and the Staff/Secretariat, among others - whose function is to provide strategic direction and co-ordinated defence plans. These represent permanent means for discussing military problems and working out solutions to mutual difficulties. Without these institutional channels it would be immensely harder for the NATO countries to co-ordinate their defence, reduce frictions, and avoid duplication even to the extent that they are able to do so now. 

The following proposals for trans-Tasman institutional arrangements

3 A fuller discussion of the possible role of institutional arrangements in general in promoting trans-Tasman co-operation is contained in the writer's Towards a Tasman Community? (Wellington, N.Z. Institute of Economic Research, 1965: Discussion Paper No. 5). This is an expanded version of 'An Australia-New Zealand Community?', Australian Outlook, April 1964.

are designed to meet the anticipated needs of the early and middle 1970s for a substantially greater regional defence effort than at present.

1. Simplification of Australian Defence Machinery

Simplification of the Australian defence machinery on the lines of the reformed New Zealand structure would promote better co-ordination of the defence policies of the two countries. In New Zealand there is one Minister of Defence, with the Secretary of Defence and the Chief of Defence Staff as the principal civilian and military advisers respectively. Subject to the overriding control of the Minister of Defence, the Defence Council is responsible for the command and administration of the armed forces, and for advising the Minister on important matters of defence policy. The Council consists of the Minister of Defence (Chairman), the Chief of Defence Staff, the Secretary of Defence, the Chief of Naval Staff, the Chief of the General Staff, and the Chief of the Air Staff. The Secretary of External Affairs and the Secretary to the Treasury regularly attend as co-opted members. The adoption of a similar system in Australia would have the benefit of pinpointing defence responsibility in Australia on one Minister and one set of advisers, and enable co-ordination to take place between counterpart positions.

The present proposal envisages the abolition of separate departments of the Navy, the Army, and Air. There are two Australian departments involved in defence which have no exact counterpart in New Zealand, namely the Prime Minister's Department (which is primarily secretarial in New Zealand) and the Department of Supply. On the first it is clear that the Prime Ministers of both countries are and should be involved in defence matters and that it is not improper that the Australian Prime Minister's Department should be represented in defence discussions. In New Zealand the External Affairs Department has tended to be under the Prime Minister and serves as his administrative arm in defence discussions. On the matter of Supply the nearest existing New Zealand equivalent is the Government Stores Board, a committee of five departmental permanent heads charged with supervising the purchase, distribution, use, custody, and disposal of stores. If New Zealand is to be more active in defence production and supply there will probably be a need to establish a special defence division of the Stores Board or a production and supply division in the Defence Department.
2. **Establishment of Joint Defence Machinery**

Australia and New Zealand both participate in defence organisations with established machinery but have no defence institutional arrangements with each other. There has been reliance on informal contacts and personal relationships, a quite satisfactory way of co-ordination for implementation of agreed policies but not necessarily suitable for producing these agreed policies. Too many people are involved in defence policy-making for personal contacts to be adequate as a means of co-ordination, especially when disagreement on policy is becoming extremely expensive for both countries. For one thing, the informal network does not include a number of important Ministers in Australia and New Zealand (though the two Prime Ministers established an excellent personal relationship during Mr Holt's period of office), nor does it include a number of very influential defence advisers in both countries, especially in the Treasury departments.

It is suggested, therefore, that consideration be given to a joint planning apparatus on the following lines:

(a) A Ministerial Defence Committee, comprising members of the Cabinet Defence Committees in Australia and New Zealand. This should meet twice yearly.

(b) A Joint Defence Committee, comprising the Australian Defence Committee and the New Zealand Defence Council. This would prepare the ground for the Ministerial Committee for major discussions and prepare advice to be given to the two governments.

(c) Specialist sub-committees of the Joint Defence Committee, covering a variety of areas including defence research and development, defence production and supply, standardisation, procurement policies, training, and others. Some sub-committees could have co-ordinating powers while others would be merely study groups.

(d) A Joint Defence Secretariat. This would be responsible for servicing the structure of committees, for ensuring that all relevant information was transmitted to the appropriate parts of the defence decision-making structure of the two countries, and in general for promoting the cause of joint action by the two governments in the defence field.

The structure outlined above has many similarities to that proposed in the 1944 Canberra Pact. One possible way of setting it up would be by activating the Pact.
3. An Interparliamentary Defence and Foreign Affairs Committee

Close defence co-operation requires the participation of key politicians other than ministers, including backbench government members concerned with defence and foreign affairs, and senior members of the opposition parties. There is a strong case for some interparliamentary arrangement that could enable trans-Tasman discussions to be held regularly among these politicians and help to develop a sense of regional community. If economic matters were to be included an interparliamentary assembly on the lines similar to the five international assemblies in Europe could be set up. If defence and foreign affairs alone are to be under consideration then a more limited gathering of members of the respective Foreign Affairs Committees of the two national Parliaments could meet every six months to consider regional defence matters. Informal party discussions would be an important function of such gatherings.

4. Defence Purchase Equalisation Arrangement

Given the present structure of the New Zealand economy in which there are powerful balance of payments restraints on any expansion of the defence effort it is unlikely that New Zealand will be able to make rapid increases in defence expenditure. In this situation Australia will have to bear an even more disproportionate amount of the defence burden of the region. Today Australian expenditure on defence is over ten times that of New Zealand, and with further increases in the next few years may well exceed fifteen times the New Zealand amount in the early 1970s.

The alternative is to devise some arrangement to minimise the adverse effects of increased overseas defence purchases on New Zealand's balance of payments. There are a variety of ways in which this can be done which are sound defence economics from an Australian point of view. These include the provision of long-term credits to New Zealand at low interest, the provision of equipment to New Zealand at Australia's expense, or a suggestion by Professor J.D.B. Miller that Australia pick up New Zealand's external defence costs. These suggestions raise problems of national pride and might in fact make trans-Tasman relations more prickly. New Zealanders would prefer an arrangement by which they can pay their own way.

While Australian trading policies toward New Zealand, especially concerning trade in dairy products, are relevant to the future balance
of payments position of New Zealand, attention will be confined here to
trading in defence goods. A strong case can be made out for a defence
purchase equalisation agreement whereby Australia undertakes to
purchase from New Zealand in goods and services for her armed forces
the same amount in value of New Zealand defence purchases from
Australia. This would help remove the foreign exchange restraint on
New Zealand defence expenditure, it would induce New Zealand to buy
her additional supplies in Australia rather than in other countries,
thereby promoting standardisation of supplies, and it would permit the
investment of substantial funds in New Zealand industries with defence
potential. The latter tend also to be those necessary for New Zealand's
industrial development. Such an arrangement would stimulate New
Zealand's industrial development and promote rationalisation of industry
in Australia and New Zealand. Moreover, the substantial part of New
Zealand's increased defence supply needs likely to be met by Australia
under a reciprocal arrangement of this kind would benefit Australian
industry. Overall the region would be able to develop a more effective
industrial defence capacity than under any of the other arrangements
mentioned earlier.

As part of this reciprocal arrangement there should be established
initially either a Defence Division of the New Zealand Government Stores
Board or a Production and Supply Division of the Ministry of Defence,
in order to co-ordinate production and supply activities with the
Australian Department of Supply. Each government could be represented
on the other government's committees considering supply needs of the
armed forces. Thus there could be a New Zealand representative on
the Joint War Production Committee of the Australian Ministry of
Defence. Also New Zealand industry representatives could be associated
with the work of the twelve industry advisory committees of the
Australian Department of Supply. The presence of a New Zealand
member or observer on each of these committees would be valuable in
providing contacts for New Zealand industry with the latest technological
advances in the laboratories of the Department of Supply, as well as
providing the contacts needed for participating in defence production
and supply and for rationalisation with Australian enterprises.

While a reciprocal scheme could be limited at first to items currently
required for the armed services of the two countries, the scheme if
successful could be extended to cover goods and services with long-term
defence potential. A number of goods and services could be isolated
which had potential significance as basic defence industries in the next
two decades. These could include engineering industries, metallurgy, electronics, vehicle construction, shipbuilding, aerospace, nuclear and geothermal energy, and science. A selection of such industries could be progressively included in the defence purchase equalisation arrangement, or made the subject of a separate arrangement. In this case major economic development needs would be served along with defence needs. It is worth commenting that this extended scheme has some similarities to that advanced by P. G. Elkan in his proposal for a customs drawback union between Australia and New Zealand. A basic difference is that the scheme outlined here would involve substantial use of defence contracts and other forms of government stimulus, though it would not exclude the use of the normal market mechanism or of tariff measures.

Implementation

The solutions suggested above are put forward as interdependent parts of a package. They may be implemented separately but are not likely to have major effects except in combination. Whether any are implemented at all depends very much on the assessments of the two governments of the likely calls of defence on their resources in the 1970s. From an Australian point of view the proposals will have the advantage that they will relieve Australia of an extra defence burden in the 1970s, while from a New Zealand point of view they will enable New Zealand to play a more satisfying role in promoting regional security without ruining her economy. From a regional point of view the proposals will have the advantage of enabling a stronger and better co-ordinated defence to be provided for the region.

If the proposals are acceptable on both sides of the Tasman Sea, they could be incorporated into a new Australian-New Zealand Agreement on Defence. Alternatively the Canberra Pact could be activated and the proposals implemented as part of the Pact.

Discussion

In addition to marginal differences in their situation, strategy, and outlook, there are two major defence matters on which Australia and

New Zealand diverge: the fact that Australia has some thousands of miles of coastline fronting the Indian Ocean, and the fact that Australia is an important part of the American world security system, whereas New Zealand is not. Nevertheless, the two countries have much to gain from joint action and rationalisation of resources. New Zealand could help alleviate the strain Australia would suffer if it embarked on a nuclear weapons program. It would of course probably wish to have a voice in any such program, and in the strategy emanating from it. In the 1970s and 1980s, a move towards co-operation in defence and defence resources would be likely to widen the gap of options to the region as a whole, and would have greater benefits for Australia and New Zealand than if they acted separately. Divergences and obstacles to co-operation in defence can only be entirely removed by total amalgamation of the two countries.

All divergences are variables, but the sources of present divergences will remain for a decade or more: a different sense of distance from South-east Asia; a lag in technical change as between Australia and New Zealand, with a cultural parallel; a different relationship with Europe; different internal politics and administrative structures (in Australia, nine federal departments are directly involved in defence decisions - not an easy system to co-operate with). In considering the best use of resources, New Zealand sees little extra advantage from additional defence spending; Australia sees the possibility of greater prestige and power. Yet the way New Zealanders see Australia is very different from the way Australians see it, which is very similar to the way New Zealanders see New Zealand - as a small state, a long way from its friends, with little influence or power. The main difference lies in the sense of economic confidence which New Zealand has recently come to lack and Australia has recently come to possess. If this continues, as seems likely, the gap in defence capacity between the two countries will widen, as will the gap in the size of their contributions to defence, unless special arrangements are made to assist New Zealand with its foreign exchange problems. There is also presently (if perhaps temporarily) an enthusiasm for foreign policy in Australia that is not found in New Zealand.

It is not impossible that the present political structure of South-east Asia may collapse. Should that occur, Australia and New Zealand might not be seriously affected, particularly if the United States, as should be expected, remained a Pacific power. Australia and New Zealand could continue to live in prosperity, although Australia would be more
affected than New Zealand, because of propinquity to Asia, trade, and the situation of New Guinea.

If, as would seem desirable, Australia and New Zealand are to co-ordinate their defence efforts, the decisions will have to be made as to whether to make defence units and production complementary, or nearer to self-sufficient. Complementarity appears to make sense as a rational division of labour, but it will work only if there is a single policy. For example, if it is agreed that New Zealand provides airborne infantry and Australia their transport aircraft, neither will be of any use unless both governments agree on the action in which they are involved. Complementarity in defence production is less dependent on having a single defence policy, in that supplies would usually be made available by one country not participating in the conflict to the other which was participating. Australia is the more likely to be committed, and more likely to be more heavily involved. This suggests that where there is to be complementarity, New Zealand should be more prepared to fit with Australian requirements than vice versa.

In respect to joint organisations - can machinery be effective without the political will to operate it? Does it have to evolve, or can it be established at a stroke? Might it not take over and get out of hand, becoming an end in itself? There are no adequate precedents to guide us. In the European Economic Community, the will to form the Community obviously preceded the Treaty of Rome. Later, the Commission began to develop an entity and power and momentum of its own, taking decisions and forcing co-operation eventually at the expense of forms of sovereignty which some member governments were not prepared to concede. This was not the case with NATO, where the separate sovereignties were always acknowledged. Machinery without will is as ineffective as faith without works, but if there is a measure of common desire, machinery may dramatise it and encourage greater co-operation.

There is, of course, a co-operative treaty in existence - the Anzac or Canberra Pact. Parts of this treaty which have long lain dormant might seriously be considered with a view to reactivating them.
An 'Anzac-South-West Pacific Defence Community'?

T. B. Millar

The South Seas, according to the British Secretary of State for Commonwealth Affairs, Mr Herbert Bowden, during his visit to the area in 1967, are a Commonwealth problem. While he appears to have been speaking largely in economic terms, three Commonwealth nations undoubtedly do have responsibility for a large proportion of the dependent territories and peoples of the South-west Pacific. Specifically, Britain is responsible in varying ways for the Solomon Islands Protectorate, the Gilbert and Ellice 'pattern of islands', Fiji, Tonga, Pitcairn, and (with France) the New Hebrides. Australia is responsible for Papua, the Trust Territory of New Guinea (including New Britain and the other half of the Solomons), and Norfolk Island. New Zealand has Niue and Tokelau, and is entrusted with the external affairs and defence of the Cook Islands, and acts for Western Samoa in international relations outside the Pacific. The other colonial powers in the region are France (French Polynesia, New Caledonia, Wallis and Fortuna, and the New Hebrides Condominium) and the United States (American Samoa, Guam, and the Strategic Trust Territory comprising the Marshalls, Carolines, and Marianas). Nauru has just become independent. Then there are New Zealand and Australia themselves.

Before considering whether it is possible to create a defence community among some or all of these territories, it is worth asking whether such a community is desirable. Against whom would it be directed, under what circumstances, and in whose interests?

It is difficult to see any direct external threat to any of the island dependencies. Perhaps the one with the nearest potential threat is Papua–New Guinea, which shares a common border with West Irian.

1 See Australian Financial Review, 22 May 1967, p. 16.
Since the end of 'Confrontation', there has been less concern in Papua-New Guinea (Irian Timor, as the Indonesians call it) that Indonesia will seek to foster the 'liberation' of the Territory and its association with West Irian within the Indonesian union. West Irian has been so badly governed and its economy so damaged that Indonesian government offers little attraction for the people of Papua-New Guinea. On the contrary, the Territory has attracted sizeable numbers of refugees and emigrants from West Irian, who have been an embarrassment to the Administration, especially where they have openly promoted the idea of independence for West Irian and the creation of a Melanesian federation. Prior to the independence of Papua-New Guinea, which can presumably be expected within five to ten years, the Indonesian government is unlikely to lay any claim to the Territory or engage in overt operations against it, and any subversive activities would receive fairly short shrift from an administration which is increasingly on the alert. After the Territory becomes independent, I assume it will have a defence arrangement with Australia, although this is not a foregone conclusion. It may feel more easily able to participate in a wider defence arrangement such as is envisaged in a South-west Pacific 'community'.

For the remaining territories in the region, there is far less likelihood of external attack or infiltration. Red Guard-ish activities in Nauru among Chinese labourers were quickly put down. What is less remote, in several important territories including Papua-New Guinea, Fiji, Tonga, Samoa, and the Cook Islands, is civil unrest caused by racial, tribal, or economic differences, including the increasingly pressing problem of population outstripping resources. Some external stimulation of such unrest cannot be ruled out, but the internal conditions are the prime factors.

One must ask whether a defence community could be formed for the purpose of preventing or putting down civil disturbances caused by unsatisfactory social conditions, and the answer clearly is, from the point of view of Australia and New Zealand, that it cannot, even if the other governments concerned wanted it. The need is less for a common defence than for a joint attack on the social and economic problems concerned.

But the situation is a good deal more complex than this. Countries develop defence forces in the absence of any clear overt or covert threat to their security, out of a need to feel generally secure, to be able to support their diplomacy, to demonstrate their capacity to
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protect trading interests, lines of communication, boundaries, etc., and to maintain public order. Some months ago an American warship was hijacked in broad daylight, and British troops were used to stop racial rioting in Mauritius, in conditions not very different from those in Fiji. It is well known that substantial numbers of Soviet submarines operate in the Pacific. The Chinese also have submarines capable of operating in the area. It would be surprising if both the Soviet Union and the Chinese People's Republic did not engage in examining the prospects of acquiring, by one means or another short of force, access to maritime facilities in the South-west Pacific at some time.

For Australia, New Zealand, and the United States, the islands are of considerable strategic significance, lying as they do athwart the important air and shipping routes from Sydney to Tokyo and San Francisco, from Wellington and Auckland to San Francisco and Panama. While it has become fashionable in some quarters to denigrate the island base concept because of its vulnerability to nuclear attack, the situations that concern us are situations short of all-out nuclear war. The fall of Singapore in 1942 did not prove the futility of island bases, so much as that there are limits to the number of military operations which a country such as Britain can carry on at the one time. Singapore was invaluable at the time of Confrontation, and enabled Britain to maintain the pressure against Indonesia until Sukarno collapsed. The Americans are not giving up Guantanamo because it is in Cuba; they are keeping it because it is in Cuba. Guam is essential in the Polaris cold war games, and to American operations in the Pacific and Indian oceans, and Okinawa has been invaluable in the Korean and Vietnam wars. Thus we should not assume that island bases are of no use to us and no interest to anyone else. And on the long air routes across the Pacific, there are a few key airfields of both economic and strategic importance - Nadi in Fiji, Tahiti, Noumea. During World War II, as Professor W. E. H. Stanner recently reminded us, Australia and the United States held New Guinea by holding Guadalcanal, and it was Guadalcanal that kept New Caledonia intact. From New Caledonia, New Zealand could have gone. There is no doubt about the importance of Henderson airfield to Australia should the unfortunate circumstances recur that Indonesia prevents Australian aircraft overflying its territory, and

2 In a seminar at the Australian National University in September 1967, the proceedings of which were published under the title Britain's Withdrawal from Asia: Its Implications for Australia. This paper is an extension of some of the arguments in Professor Stanner's paper.
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if a non-aligned or slightly hostile Papua-New Guinea did the same. It is for this reason that Australia has an interest in the British Solomon Islands Protectorate and Papua-New Guinea not forming a single political unit and advancing jointly to independence, although there is no evidence that the Australian government sees the matter in that way.

There is another point that is worth mentioning but probably not with undue concern - the fact that there are important Chinese minorities in several of the island groups: over 5,000 in Fiji, about 1,000 in Nauru, and 500 in the B.S.I.P.

Yet whatever implications can be drawn as to the strategic significance of these islands, can one not assume that the British dependencies will be defended, if necessary, by Britain, while the remainder will be de facto under the American defence umbrella as surely as Australia and New Zealand which are covered by ANZUS? (The French islands are of course protected by France, which shows no sign of decolonisation, but on the contrary is consolidating its position; the nuclear test program will guarantee French protection for the indefinite future.)

Britain's future role - politically, economically, and strategically - is, to say the least, uncertain. Although general assurances of continuing support have been given to the Pacific dependencies, few people can treat them with confidence, in view of similar assurances elsewhere which have been broken. There have been various public and private soundings by Britain as to Australia's taking a larger role in the area, extending economic and other aid, and co-ordinating the steps to independence in Papua-New Guinea with those in the British territories. These are not direct evidence that Britain is going to make a hasty exit from the South-west Pacific as she is making from the Persian Gulf, Malaysia, and Singapore, but they look remarkably like straws in a similar wind. Perhaps they are meant to do so.

The Australian and New Zealand dependencies, so long as they are dependent, are specifically covered by ANZUS; one cannot, also, easily imagine the United States standing idly by while a Chinese or Russian fleet seized Suva. Yet a Russian fleet (or a Chinese, when they get one) is most unlikely to seize Suva. If facilities are ever granted for them to use the port, it is much more likely to be due to a change of government following social and political unrest.
Between Australia and New Zealand, there is a substantial community of defence interest, and substantial reasons for a defence community.\(^3\) This is not because the two states have identical preoccupations; they do not. New Zealand is more than 3,000 miles further away from Asia than is Australia. Its trade to Europe goes not through Suez (when it is open) but through Panama. In fact the two states have overlapping and complementary preoccupations. Both feel dependent on the American alliance, and have to pay 'club fees' to it, as they have had to do to the British presence. Both are interested in the Pacific trade routes. Both are closer to each other than to any other ally or potential ally. In many ways both have more in common with each other than with anyone else. They have lived and worked alongside each other in defence activities in the field almost continuously since World War II, and of course the co-operation goes back a long way before that. They have been brought up on similar military philosophies, traditions, and training manuals. They differ in size, in economic potential, perhaps in national philosophy and dynamic, and especially in geography. New Zealand has no cause to be interested in the Indian Ocean, and has had much greater involvement in the island territories of the South-west Pacific. Australia is more concerned about Asia, and has for some years to come a major colonial responsibility in Papua-New Guinea. The security of New Zealand is extremely important to Australia; the security of Australia is vital to New Zealand. This catalogue indicates that while all that Australia does is not of interest of New Zealand, almost all that New Zealand does interests Australia; also that whatever happens to Australia is likely to happen to New Zealand.

Despite their differences, Australia and New Zealand appear certain to co-operate in Vietnam and in Malaysia for the foreseeable future, and possibly elsewhere in South-east Asia. It would be absurd for them not to co-operate in any defence arrangements made for the South-west Pacific, which is closer to home for both.

Does not ANZUS already provide the context for such co-operation? Unfortunately, perhaps, it does not, or does not provide much more than a skeleton. There is no joint organisation in being under ANZUS, even though there are joint activities, exchanges of personnel and information, and a degree of standardisation under the ABCA scheme. While Australia has provided in recent years splendid demonstrations

\(^3\)Dr Alan Robinson has performed a valuable service in beginning the discussion of this problem in 'Some Aspects of Future Australian-New Zealand Defence Co-operation', *Australian Outlook*, vol. 20, April 1966, pp. 66-72.
of the way domestic political considerations can affect decisions about
defence (and perhaps the same situation is not unknown in New Zealand),
the advantages in making major decisions in concert would seem to be
obvious. (They would have an extra hidden bonus: whereas now the
Australian government blames unpopular decisions on its 'professional
advisers', it would then be able to spread the burden of responsibility
across the Tasman.) Obviously each parliament must remain
ultimately sovereign, but there is still room for a great deal of joint
decision-taking at lower levels. At present, it would seem that
Australia is so fascinated by its special relationship with the United
States, and New Zealand is so determined not to be dominated or
patronised by Australia, that both are ignoring useful opportunities of
mutual benefit.

Specifically I would support and extend Dr Robinson's suggestions of
regular and continuing consultations from the Prime Minister down.
Strategic planning should be done jointly. Service postings should be
far more interchangeable than at present, so that every headquarters,
ship, air squadron and army unit will have officers and even men from
the other country serving in it. Defence production and servicing
operations can be rationalised. It is absurd for Australia to buy one
kind of interceptor fighter and New Zealand another. Administrative
procedures can be unified. The effects of this should be that arms
and equipment would cost less and be wholly interchangeable, joint
operations could be mounted more quickly and more effectively,
misunderstandings should be reduced if not eliminated, and the
framework laid for a wider defence association if this should prove
possible.

What could that wider association or community be? Let me say at
once that I do not see such a defence community 'doing without' the
United States. Even if (as is probably desirable) the United States
were not a member of it, there is today no alternative to the ultimate
guarantee of American power. For Australia and New Zealand to
believe they can cut themselves off from the American alliance and
establish a joint hegemony over the South-west Pacific is far more
ridiculous in 1968 than it was in 1944, and it was ridiculous enough
then. It would deprive them of access to American military
production, technology, and information and such influence on
American policies that that access provides. It would deprive them
of the American nuclear umbrella. So long as the United States is
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prepared to continue with ANZUS, that Treaty will provide the necessary
general coverage for lesser arrangements into which the two states may
enter. There is no point in the American territories' coming within the
proposed community, and no likelihood of the French. It would be, as
Mr Bowden suggested, a Commonwealth matter, but it would still have
to be done with such delicacy as to eliminate any suspicions that
Australia and/or New Zealand sought a regional hegemony or empire.
The time to start the community is now, while Britain is still in the
area. It would be initially a community between Australia and New
Zealand. Other countries, notably Papua-New Guinea, the B.S.I.P.,
and Fiji, would be extended facilities in the form of training places,
observers at meetings, perhaps some staff positions, and much more
substantial economic aid than at present to build the infrastructure
both of the economy and of a sound defence position - roads, bridges,
port facilities, airfields, workshops, technical training schools, etc.
They could become full members in their own time if they wished.
Australia can afford to be generous - it has considerable investment
in, and a most favourable trading balance with, the island territories.
Indeed, it cannot afford not to be generous, both in terms of helping
to provide the means for economic and social change, protecting
investment against the anger which is even now building up, and in
helping to prevent the seizure of power in the name of an alien and
uncongenial ideology or a blind nationalism.

Perhaps this is a pipe dream, from a pipe lit with a rather old-
fashioned mixture; perhaps it expresses a 'zeal not according to
knowledge', or an enthusiasm not to be matched by performance.
Seddon was angered when Britain denied him his ideal of Pacific
Federation, just as it denied Sir Samuel Griffith the right to annex
New Guinea. In both cases, London was probably right, but today our
sights are lower, our capacities are greater. Will we be circumscribed
by our own myopia and parochialism, or might we perhaps draw a
bow at this not impossible venture?

Discussion

The term defence 'community', as used in the European Defence
Community or the Atlantic Community suggests a group of countries
which regard themselves as one for defence purposes. It presupposes,
if not a political community, at least some very strong common interests.
Is this true of the Pacific island territories? It hardly seems so. Then
there is a difference between Australia and New Zealand on the one hand and the Pacific islands on the other. Papua-New Guinea also seems a separate case. We have already seen the difficulties of collaboration between the Anzac powers; such difficulties would be multiplied if the island territories were included. The necessary common political and cultural interests do not currently exist. Nor, despite what New Zealand has done with its own dependencies and to help Fiji and others, does there seem to be any great desire in the Anzac countries to take on the defence of the islands or accept responsibility for their stability or development. If the proposed 'community' were to become formal, there would be formal obligations, some of which could be highly embarrassing.

At its most extreme - a political federation of the islands with each other or with Australia and New Zealand - the idea is obviously impractical. Papua-New Guinea, by its size, complexity, and location, does not easily fit into a Pacific grouping, and New Zealand is not interested in its defence. Australia and New Zealand without the islands could create a defence community. The problem comes in trying to determine what arrangements can be made for the islands, should Britain withdraw from them, which will be acceptable to them and to the two larger states. If Australia and New Zealand do not show interest and support - or even if they do - other nations such as the Soviet Union or Japan (but probably not the United States) have demonstrated that they are looking for markets, investment opportunities, and facilities of various kinds. This is not necessarily against the interests of Australia and New Zealand.

We do not know how the people of the islands would view the idea of a loose defence community, or whether they have yet come to believe that Britain will before long be leaving them to their own devices. No arrangement can be made to which they are not agreeable and for which they do not feel a common need. Perhaps bilateral links should be developed before a joint framework is imposed. Or perhaps the island peoples would respond to a tentative, friendly approach by Australia and New Zealand which offered help without demanding concessions, did not arouse expectations which the two states could not fulfil, and which helped the islands cope with problems which are, to them, far more immediate than defence - population control, education, economic development, communications.

New Zealand has much greater experience in dealing with Pacific territories than Australia, but over the past ten or fifteen years it has
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been gradually relieved of its colonial responsibilities. It has also entered a period of economic difficulty which is not conducive to external aid projects. The trend in New Zealand, therefore, is away from the defence community idea, not towards it, and there would have to be a conscious and deliberate reversal of this trend. The economic costs of aiding the islands sufficiently to make a worthwhile difference are probably far greater than is usually realised.

It is sometimes suggested that Australia and New Zealand would gain more influence within the American alliance if they acted jointly. This is debatable. Could either Australia or New Zealand conceive of a world in which there was no American ally, no great and powerful friend? Perhaps they should begin to ponder this question, and its implications for their own relationship. The sense of being different from Australia, which is a factor of New Zealand nationalism, will need to be attenuated to build up common institutions. Defence is only one of several interrelated areas where such institutions are needed.
Conclusions

I — R. H. Brookes

New Zealand is not and will not be capable of defending herself alone against any power of the magnitude for example of Australia or greater, for a number of reasons. This is a country about the size of the United Kingdom, with a population of 2\(\frac{3}{4}\) million instead of 57 million, and with a long coastline in proportion to its area, hence highly vulnerable to attack. It would not be possible for the New Zealand economy, limited as it is in industry and science, to produce in the foreseeable future any credible deterrent. For these reasons a 'go-it-alone' policy of armed neutrality, as practised by Switzerland or Sweden or Israel, is out of the question. Is a policy of unarmed neutrality viable? New Zealand is small and remote. It would be difficult to resist any sizeable invasion here but equally it would be difficult to mount such an invasion against her. There are other places - such as Australia - on which an enemy might well concentrate first. So there is no immediacy of risk. Is it therefore wise to pay $36 per man, woman, and child to defend ourselves against something which is not very urgent? Could the money be better spent on economic aid, reducing the risks of instability in the South Pacific and South-east Asia? I do not think it likely that such a change of policy would be accepted in New Zealand. Decisions of this sort are not taken as the last step of a process of philosophical argument, but rather one is carried forward by a tradition, a habit of mind, a way of looking at things. Pacifism is not a characteristic New Zealand attitude. New Zealand became conscious of itself as an independent nation at the time of Gallipoli. The consciousness arose as a consequence of war - of an operation in which (significantly) both Australians and New Zealanders were involved. For nearly as long, collective security has been basic to our thinking. Not only is it unlikely that these traditions would be
thrown over, but I think there would be serious risk in such an action. It is much easier to dismantle military capacity than it is to create it. If one did in the course of time face an increased likelihood of attack, it would in those circumstances be much more difficult to cope with the situation. In weighing risks, one must take into account not only their probability but also their seriousness.

There are other reasons why New Zealand would find herself embarrassed if she were pursuing a policy of complete defencelessness. To the extent that a country is in an alliance and making some semblance of pulling its weight, its partners are more likely to take heed of its views, not only on defence but also in other areas. Again, a country which is defenceless and without allies is more vulnerable to pressure: Cambodia, for instance, has to tread a sometimes painful diplomatic path because of the forces to which it is exposed.

Accordingly, I do not think it is likely that New Zealand would pull out of the alliances in which she is involved, nor do I think it is desirable that she should. It seems to me that, whether we like it or not, we have to accept the sort of policy that Dr Boyce was querying in his paper: making a token effort now in the hope of returns, regarding our defence contribution as an insurance premium. There cannot be any 100 per cent guarantee about this. The bank may collapse in which one's money is deposited, but one still leaves one's money in a bank. New Zealand has indeed no option; it is only by relying on collective security that there is any possibility of providing for New Zealand's defence.

I think we are in a somewhat stronger position here than Dr Boyce's argument would suggest, in that Australia has an interest in seeing that New Zealand is defended. I agree that in the last analysis Australia could survive after New Zealand had gone down, but it would be more difficult for Australia to survive if New Zealand were occupied by an unfriendly power, so Australia is likely to be willing to provide some measure of protection for this country. Since New Zealand cannot have an independent defence policy, we should share Australia's defence policy. To the extent that New Zealand is able to make a contribution in resources or wisdom to the alliance, it is desirable that her voice be heard before final decisions are made, but inevitably she will be the junior partner.

A good deal of stress has been laid on the limited extent of New Zealand's contribution. I think the current economic problem is not a transitory one, caused merely by fluctuations in export prices. Our
chronic balance of payments difficulties demand structural changes, the concentration of more resources into export industries and really economic import substitutes. But because the problem is one which has been building up for years, it is the more urgent that steps be taken to deal with it. Inevitably this will take time, but only to the extent that New Zealand is able to get out of the present mess will she be able to contribute to a combined defence effort. A general growth of trade and loans between our two countries would assist this recovery. The difficulty is that Britain is intending to withdraw from this area in the fairly near future. We hope that New Zealand will be out of her economic straits by 1971, but it is difficult to predict how far New Zealand will be able to go in increasing her defence effort within the next three years. It may well be that the Australians will have to pick up the main share at present, with New Zealand preparing herself in that time to bear a greater burden.

The biggest gap in our thinking during the conference has been our failure to determine priorities. Plausible arguments have been advanced for an increased commitment in the South Pacific area, some continuing presence in the Malaysia-Singapore area, the development of an atomic industry from which advances could be made in some years' time towards a nuclear defence capacity if thought fit, a general strengthening of science and industry, foreign aid, and so on. Can we afford all these things, and which of them are the most important? I hope this problem of priorities will be explored, bearing in mind however that it is basically an Australian decision; New Zealand can do little more than go along with her. There are two points which I think should be made:

1. Britain has extricated herself from the area on the grounds that she has over-committed herself economically. There is a risk that Australia and New Zealand in turn might over-commit themselves economically in trying to fill the gap, and get into the same sort of mess. There is a limit to the amount these countries can make available in the long run - both a political limit, and an economic limit in that increased defence spending implies alternative investments foregone which might be growth producing. New Zealand is likely to be highly sensitive to this danger in the years immediately ahead.

2. In fixing priorities we are in a sort of casino, where the bigger prizes involve the bigger risks. It would surely be sensible if we had ample resources to commit them increasingly in the South-east Asia area where the dangers and the political consequences of failure are
greater than in the South Pacific area. However, to commit oneself by having a limited number of troops on the spot is to run the risk of having to provide much more extensive and expensive reinforcements in time of crisis; this is the hazard of maintaining a continuing presence in the Malaysia-Singapore area. By contrast, it would be much less expensive to provide certain facilities and guarantees in the South Pacific, as Dr Millar has suggested, both for defence purposes and to assist economic development. But the prize is not so valuable in the South Pacific, even if we do succeed in maintaining the security of the islands. How valuable would that be if enemy powers controlled the Malayan peninsula and the Indonesian archipelago?

II — B. D. Beddie

It is not surprising that the discussions have emphasised a fundamental identity of interest between the two countries in defence and foreign policy. Their history, culture, and geographical proximity lead us naturally enough to expect such an identity of interest. What is perhaps slightly surprising is that there was not greater divergence between the two delegations on matters of priority and on the weight to be attached to long- and short-run threats. More particularly, Australians perhaps expected that New Zealanders, because of their geographical remoteness and because of their inability to make much more than symbolic defence contributions in overseas countries in time of general peace, would have shown, if not opposition to, at least scepticism about the commitment of land forces to South-east Asia. Certainly some New Zealanders expressed uneasiness about their role in South Vietnam, but generally there was agreement that New Zealand should support present policies in South-east Asia. On the most delicate of contemporary issues there seemed to be a consensus among the New Zealanders that their country along with Australia should continue to maintain a Western presence in Malaysia. It was left to a few Australians to question the wisdom of indefinite adherence to the present policy of maintaining standing land commitments to South-east Asia.

There was perhaps a failure to discuss with sufficient thoroughness what would be involved in a re-thinking of existing policies towards South-east Asia. It has tended to be assumed that any change towards a retraction of existing commitments would involve a movement towards
neutrality and a loosening of the United States alliance. In fact there are many gradations and variations between neutrality and the policies at present being followed. One question is whether the maintenance and cementing of the American alliance depends on the three ANZUS powers continuing to be militarily committed to the land defence of South-east Asia. Of course, while the United States is so committed it is inevitable, given the policies that have been followed for the last fourteen years or so, that Australia and New Zealand should be similarly committed. But, assuming that Australia and New Zealand have as a fundamental objective the maintenance of the American alliance, should they assume that the alliance depends on continuing land commitments to South-east Asia and on getting the United States more deeply involved in that area? There is a case for such a view and it is essentially the case that has been put over and over again by official spokesmen who have insisted on the merits of defence in depth. But dangers are also involved. They are: (i) the policy may not work— a continuing military presence may not produce the desired objectives; (ii) Australian and New Zealand commitments may be overstrained— this is the real issue involved in their undertaking a more or less independent guarantee to Malaysia; and (iii) the United States may, because of domestic and world pressures, abandon the policy of continuing land commitments to South-east Asia. Should (iii) occur, there are two possibilities— that the United States would abandon the whole of its Pacific commitments or that it would compensate for its loss of power in mainland South-east Asia by reinforcing its off-shore Pacific power, by attaching greater importance to its alliances with Japan, the Philippines, and Australia and New Zealand. It is surely the latter possibility that supporters of the American alliance would want to keep open at all costs. But keeping this possibility open implies qualification of the view that the defence of the off-shore Pacific countries is indivisibly connected with the defence of mainland South-east Asia, and it raises doubts about the rightness of the assumption that, the more deeply the United States is involved in South-east Asia, the safer will Australia and New Zealand be. For the deeper the U.S. involvement, the more wide-ranging could its reappraisal be in the event of failure in or disillusionment with those policies.

Reference to the United States raises the question whether there is an identity of interest between Australia and New Zealand in their relations with that country. At the level of formal policy and defined
objectives, there does seem to be such an identity. At the level of emotional response or of the 'legitimacy' conferred on the alliance, there seems to be a significant difference. Australia has gone a long way towards transferring its loyalties from the United Kingdom to the United States. Especially in government and official circles (although possibly less among the general public) there is a good deal of positive enthusiasm for the American alliance. It is valued not merely for security reasons but because it offsets feelings of smallness and isolation and is believed to enrich Australian civilisation. New Zealand does not seem to have developed the same positive enthusiasm for the alliance. It still clings to the traditional British connection and, inasmuch as events are necessarily weakening that connection, it looks most immediately to Australia. It seems to be content that its relationship with the United States will be 'mediated' through Australia. From New Zealand's point of view, there may be a certain danger in this situation - the danger that its people will feel that foreign policy comes to them second hand and that this feeling will increase apathy in foreign and defence policy.

Defence science and nuclear weapons raised more lively debate than perhaps any other issues. If most participants began with the assumption that Australia and New Zealand were not faced by any particularly urgent nuclear problems, they were soon shaken by the challenge of scientists present who argued the case for a more determined effort in defence science and who emphasised the great difficulties of effectively enforcing a nuclear non-proliferation treaty. Professor Bull's paper led to a rough consensus that, for political reasons, neither country should proceed immediately to the actual production of nuclear weapons. Nevertheless, his view that options should be kept open was generally accepted. Since nuclear weapons would take five to eight years to develop, Australia should begin now on the building of a nuclear reactor which, although designed for non-military purposes, would lessen the period in which weapons could be produced if they proved necessary. It was assumed throughout the discussions that New Zealand would not attempt to produce nuclear weapons at any stage, but that New Zealand scientists and technicians would collaborate in an Australian nuclear defence program. While it seems clear that there would be no difficulties involved in bringing New Zealanders into the scientific side of a nuclear program, it was possibly too readily assumed that New Zealand would thereby become a full participant in Australia's nuclear program and even that she
would automatically come under an Australian nuclear umbrella should the latter country develop nuclear weapons. New Zealanders should bear in mind that all other countries have refused fully to share their nuclear secrets and have been extremely reluctant to give unconditional guarantees of nuclear protection. New Zealand should perhaps pay greater attention to these considerations and, before embarking on a joint program in defence science with Australia, seek to have clarified the protection she could expect should Australia as a result of the program eventually possess nuclear weapons.

Dr Millar advanced a persuasive scheme for Australian-New Zealand collaboration in the maintenance of peace and stability in the South Pacific area. His case was strengthened by the fact that New Zealand, though very much involved in the area, has not the resources to undertake independent commitments within it. The critical issue that has emerged is whether Australia and New Zealand jointly have the resources to carry out the responsibilities outlined by Dr Millar. Assuming that Australia and New Zealand are to maintain their present commitments in Vietnam and Malaysia, that they must be ready to meet challenges in the Indian Ocean, that they should move towards a potential nuclear capability, should they add to their burden the weight of a Pacific Defence Community? On this issue, Professor Stanner, in arguing the case for a diversion of resources to the South Pacific in an A.N.U. paper, assumed that the raising of this priority would reduce other priorities (e.g. existing commitments in South-east Asia). Dr Millar, however, did not take this view; he assumed that the Pacific Defence Community would be an additional responsibility. In reply to his critics, he argued (1) that the cost of his scheme would be small and (2) that it would afford protection to fairly substantial Australian and New Zealand investment and trade. The crucial consideration is then that of cost. While it may be true that, under normal conditions, the preservation of the region against external threat would not be great, it still has to be asked whether Dr Millar's scheme would not require Australia and New Zealand to attend to the economic progress and welfare of the region. If so, that would surely be relatively costly.

Within a Pacific Defence Community there would appear to be one country, eastern New Guinea, which raises such large problems that quite special attention would need to be given to it. Sharing a land border with Indonesia, Papua-New Guinea will inevitably be involved in the politics of South-east Asia. Even if the country becomes

1 Britain's Withdrawal from Asia: its Implications for Australia (Canberra, 1967), pp. 62-77.
Conclusions

independent fairly shortly, it is likely to be dependent for a very long time on a sizeable Australian subsidy (say, $100 million per annum) and on Australian support for the maintenance of its defence, police, civil service, banking, and so on. In short, its relationship with Australia may be so dependent as to provoke charges of 'neo-colonialism'. This being so, would the problems of New Guinea be reduced if it were brought within a Pacific Defence Community, or would its membership, on the contrary, complicate the problems of the community?

The proposals advanced by Dr Robinson and Dr Millar for the creation of formalised arrangements for collaboration met with varied responses. Some tended to be sceptical. It was pointed out that collaboration on an informal basis was already close, and especially so in matters of foreign policy and defence. The stationing of Australian and New Zealand troops in Malaysia as part of the Commonwealth Strategic Reserve is evidence of the effectiveness of the collaboration. How, it was asked, could new machinery improve on the present situation? It appears that while the present consultative processes are relatively effective in defence and foreign policy, the same is not altogether true in other fields, for example trade and, more generally, economic policy. The question is, however, whether the creation of formal machinery could do much to improve the situation in these areas where, for deep-rooted economic and political reasons, there are real conflicts of interest.

The proponents of the creation of new and more formalised methods of consultation defended their position with the following arguments:

1. Even if the existing methods of collaboration have been effective up to now, this is not to say that they can adequately dispose of the new problems about to emerge - problems, for example, created by the withdrawal of Britain and by the increasing complexity and cost of armaments.

2. New developments call for a sense of regional solidarity which in turn requires a certain mobilisation of public opinion in both countries. The creation of new machinery by the two governments would stimulate public opinion and render easier the taking of other more positive steps.

3. The existence of formal machinery designed to ensure the co-ordination of policy called for under the Anzac Pact would lessen the difficulties that might arise should the two countries have governments of such different political complexions that their foreign policies might begin radically to diverge.

4. The existence of joint diplomatic and defence machinery is
necessary to enable Australia and New Zealand to work out a common approach to the United States and so to maximise their bargaining power and influence in Washington.

Discussion

If China is going to be the main threat to the security of Australia and New Zealand over the next ten or twenty years, they must look to the possibility of developing their own nuclear weapons. They (especially Australia) have the capacity to make some kinds of nuclear weapons. Have they also the desire, or the will, to carry such a project through? A great deal of preparatory work can and should be done without exploding a nuclear device. British scientists in this field could perhaps be attracted to Australia and New Zealand to work on nuclear projects. Additionally every attempt should be made to 'sharpen up' ANZUS as it may apply to a nuclear situation. Without strong assurances of protection from the United States, Australia must make its own arrangements. For New Zealand there is the additional problem of joint control over any weapons it may assist Australia to make. A non-proliferation treaty is at best a holding operation, but it is part of a strategy of control, of restraint, which is in our interests. It helps us to play for time, and to be given notice of nuclear developments elsewhere.

South-east Asia is an extremely unstable region. Since World War II there have been more violent changes there than in any other part of the world. Is it time to take a fresh look at Australian and New Zealand assumptions about the area, and the policies they lead to? Would total disengagement be difficult or dangerous? To invade and capture Australia and New Zealand would be a formidable task. Involvement in South-east Asia also has its problems as the United States knows so well. Is it not a question of deciding priorities, of assessing which of the policies of the friendly governments in the region are likely to be fruitful, and then supporting them? Australia and New Zealand have a real opportunity of making a valuable contribution in Malaysia and Singapore, because of their stability and sympathetic attitudes. Indonesia also provides special opportunities of a non-military nature. The Anzac countries have no mandate for sitting in judgment on the governments in Asia or the South Pacific and telling them what is best for them; but they do have a responsibility
when determining their own policies towards these countries of deciding what they believe to be in the national interests of all concerned.

Australia's and New Zealand's experiences with Britain and the United States have demonstrated that where the larger power is going to take a decision unpalatable to the smaller powers, it is likely to tell them about it after the decision has been taken, and not before. Australia has sometimes offended against New Zealand in the same way. In matters of defence, it is clearly in Australia's interest to have New Zealand associated with it and therefore to bring New Zealand into the decision-making process, and to ensure that the processes and habits of consultation and working with one another are active before an emergency comes. Formal machinery can help do this; it can also provide the occasions for perhaps more important informal contacts; it can build up a sense of solidarity; in time it may even lead to political association. There is little enthusiasm for federation demonstrated on either side of the Tasman as yet, but Britain's impending departure is undoubtedly both strengthening the many links already existing between the two states and fostering new ones.
Appendix

Relations with New Zealand

Extract from a speech by the Australian Minister for Defence, Mr Allen Fairhall, House of Representatives, 2 May 1968

Through all of the studies arising from the British Defence Reviews over the past two years, Australia and New Zealand have kept in the closest possible touch - through the exchange of papers, frequent visits at ministerial, official and Service level. New Zealand officers were members of the reconnaissance teams which recently visited Malaysia/Singapore. Discussions on matters of mutual interest arising, continue.

I see in this, practical expression of a growing accord with our partners across the Tasman, in Defence as in other directions.

Australia and New Zealand have what approaches an identity of strategic interests. It is expressed in common membership in SEATO, ANZUS and ANZAM, in which we share common aims and work closely together. In two major Wars - in Korea, and now in Vietnam - our common interests have been expressed in common military effort. For a decade past, both countries have contributed Forces to the Strategic Reserve.

It has long been the aim of our policy to develop close co-operation with New Zealand in all matters affecting Defence, and the extent to which this has already been achieved may not be generally realised.

Each country maintains Defence staffs in the capital city of the other. Defence planning, intelligence and equipment policy papers are freely exchanged between the two countries.

The Australian Services assist in the training of New Zealand personnel at the Royal Australian Naval College, the Royal Military College, and the Officer Cadet College, our staff colleges and a variety
of other schools and technical courses. Elements of New Zealand Forces participate regularly in exercises with all three Australian Services. There are Officer-exchange arrangements between the two countries.

In New Zealand recently, I offered exchanges of Australian and New Zealand civilian and Service officers in our respective Departments of Defence. The Government of New Zealand welcomed the offer for consideration.

On the Supply side, Australia and New Zealand look to standardisation of equipment wherever practicable. The two countries have, for example, Canberra, Hercules and Orion aircraft in common. While New Zealand has looked to the United Kingdom for much of its Defence supply, because of its traditional trade and other links with that country, there have been important growing purchases from Australia. It may well be that economic circumstances will encourage New Zealand increasingly to regard Australia as a source of supply. We would welcome such a move, but accept that it would impose upon us an obligation to develop, more actively, arrangements for joint or reciprocal defence production.

Three years ago, I had the pleasure of extending to the New Zealand Government an invitation to attach scientists and/or technicians to our Defence research and production organisations here in Australia, and generally to avail themselves of such Australian technology and experience as would be useful to them. I believe that such an arrangement could be widely beneficial to New Zealand's already growing industrial competence.

It seems inevitable that events in South-east Asia will draw our two countries still closer together in Defence, and that this will be to the benefit of us both.
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