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'FORTY YEARS ON': STUDIES OF WORLD CHANGE IN THE FOUR DECADES AFTER 1945

edited by Coral Bell

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These essays on the first four post-war decades were originally written for a seminar series in the Department of International Relations of the Australian National University, and were put together in this book as papers for a conference in June 1985 on the same topic. My thanks are due to the writers for producing their wide-ranging and lucid studies, and to seminar participants for valuable comment. Most particularly thanks are due for producing this volume at remarkable speed to meet the conference deadline to Mrs Lynne Payne, and to Mr Charles Hutchison of the A.N.U. Printery.

Coral Bell
WHAT HAPPENED TO THE UN FAMILY?

J.D.B. Miller

The UN 'family' is the name often given to the United Nations and its specialised agencies. As indicated below, there is not nearly so much connection between the various bodies as many people would wish; but they are recognisably similar bodies in membership and procedure, and they have had something of a similar history in the past forty years. Moreover, they are mostly products of the same period, that of World War II and its immediate aftermath. The late 19th century had seen the establishment of bodies called public international unions, the object of which was to facilitate international cooperation in technical matters. Of these, the Universal Postal Union (UPU), established in 1874, and the International Telecommunication Union (ITU), established in 1868, remain in being, although they do not have their original names. The International Labor Organisation (ILO) was established as part of the peace settlement after World War I, at the same time as the League of Nations. But the other specialised agencies, such as GATT, the IMF, the World Bank, FAO, ICAO, WHO and UNESCO, are part of the drive towards greater international cooperation, to be centred on the UN, which owed so much to the vision of the world after World War II which was part of the thinking of President Franklin Roosevelt and the people around him.

I

That thinking was vague and idealistic, based partly on the domestic experience of the New Dealers, and partly on the hope that wartime cooperation would continue into the peace. The crudeness of the approach is shown in an extract from some notes made by Harry Hopkins on a meeting with Roosevelt and Sumner Welles in March 1943, just before Anthony
Eden arrived in Washington to discuss postwar arrangements:

I raised the question as to whether or not our Government was going to agree to the various set-ups which must be made within the United Nations to discuss various matters and whether or not the main committee should be made up of four members representing the British Empire, Russia, the United States, and China. The British are going to push for committees of seven or eight, which will include separate membership for Canada and Australia. I said I believe by this technique we would be constantly outvoted and that I thought we should put our foot down in the very beginning in this Food Conference and insist on the main committee of four members only and let the British Government decide whether they want their membership to come from England or Canada. Both Welles and the President agreed to this. I told them I was sure England was going to press this when Eden got here and I believe we should be very firm about it.

The President then discussed at some length his notion of the postwar shipping problem. We are going to have, by all odds, the largest merchant marine in the world after the war. Our position with Great Britain will be reversed.

I told him our control of shipping would be a powerful weapon at the Peace Table and that we should not hesitate to use it. The President said he was anxious to get into a discussion of communications and transportation between the United Nations as soon as this Food Conference could get off the ground.
He got on his old subject of the manhandling of the news by the Press and said he was going to try to work out some international news broadcasts which all of the United Nations would use, giving factual information and not coloured in any way, and that they would require the radio stations in Germany, Japan, and Italy to use these international releases. He also said under no circumstances should Germany, Italy, and Japan be permitted to own or operate any commercial air lines.[1]

The actual constitutions of the UN and the specialised agencies were not so vague in character as these random thoughts; but the thoughts do indicate what Roosevelt and his advisors wanted, a world in which a number of international functions were supervised by the principal allied powers. In respect of some of these functions, such as civil aviation, the emphasis would be on regulation. In respect of others, such as world health and food supply, it would also include improvement of faulty situations. For the regulation of security and the prevention of war, the emphasis would be on the policing function. Roosevelt said in New York in October 1944:

The Council of the United Nations must have the power to act quickly and decisively to keep the peace by force, if necessary. A policeman would not be a very effective policeman if, when he saw a felon break into a house, he had to go to the Town Hall and call a town meeting to issue a warrant before the felon could be arrested.

It is clear that, if the world organization is to have any reality at all, our representatives must be endowed in advance by the people themselves, by constitutional means through their representatives in the Congress, with authority to act.
If we do not catch the international felon when we have our hands on him, if we let him get away with his loot because the Town Council has not passed an ordinance authorizing his arrest, then we are not doing our share to prevent another World War. The people of the Nation want their Government to act, and not merely to talk, whenever and wherever there is a threat to world peace.\[2\]

While this was a speech in a presidential campaign, and aimed directly at American opinion, its emphasis on American action was characteristic of the US approach to the formation of international bodies and to the organisation of the postwar world in general. The world was to be managed in accordance with American principles - policed against a recurrence of aggression by Germany and Japan, its trade opened up for all states (especially the United States) to exploit, its colonial possessions held in trust for their peoples, its food supply improved and food prices stabilised, its currencies regulated in relation to the American dollar, its civil aviation routes made available to the strongest and cheapest airlines, its peoples shown the wisdom of democratic principles, its labour relations organised according to the doctrines of Samuel Gompers, and the four freedoms manifestly forwarded by international action.

One needs to understand the nature of the 'world' in question. It was very much an America-European world, and to a surprising degree an Anglo-American one. Roosevelt and his associates sometimes seemed to want a bilaterally-controlled world in which the United States and the Soviet Union would make the main decisions\[3\]; but this state of mind did not long survive Yalta, and had disappeared by about the end of 1945. In practice, the effective discussions about the UN and the specialised agencies tended to be Anglo-American, because of the substantial network for joint wartime discussion which had no counterpart between the United States and the Soviet Union. The
world which the Americans and British talked about was that of 'the United Nations' in the early meaning of that phrase - the states which were at war with Germany, Italy and Japan. It also included their colonial possessions and their close associates (such as the Latin American countries in relation to the United States), but these were at some remove from the states which had been the victims of attack by the axis powers or had joined the battle against them. It was thus a Eurocentric world - that of the prewar League of Nations with the all-important addition of the United States, and a greater emphasis on Asia (largely because of the American preoccupation with China). The Soviet Union was to be part of it to the extent that the Soviet Union would observe whatever rules were made. But the design of the organs through which management would be carried on was largely in American hands, with some help (sometimes considerable, as with the IMF and UNESCO) from the British.

This was the pattern of arrangements for FAO, WHO, the financial bodies, ICAO, and UNESCO. It did not always prove successful. There was to have been an ITO (International Trade Organisation), of which GATT is the truncated relic (sometimes a relic of power); the US Congress would not accept it. There was considerable argument with the British about ICAO and the Bretton Woods organisations, the IMF and World Bank. In the main, however, the UN and its family were brought into being with much the same American motives behind them.

II

The UN Charter, largely Anglo-American in its drafting, was agreed between the three great powers - the United States, Britain and the Soviet Union - at the Yalta conference. Preliminary work had been done at Dumbarton Oaks in 1944. The final seal was set by the San Francisco conference which began in April 1945 and was attended by all the states
intended to be the founding members of the UN. The great powers' draft was altered in some details, but its essence was unaffected.

The Charter is much as it was, and can be read as a measure of the expectations of those who compiled it. In structure, the UN had much in common with the League of Nations, but there were important differences. The Security Council was given authority to take enforcement action against aggressors, subject only to great power veto; this replaced the general veto which had applied in the League. Military forces were to be made available to give the UN 'teeth'. A system of trusteeship replaced that of the League mandates, and more scope was given to economic and social activity. The emphasis was quite clearly laid upon great power unity in respect of enforcement: if the great powers could not agree, no action could be taken. This had been the case in practice with the League, but had not been spelt out. The upshot was to be the same in both cases.

It may be worth recalling that Australia, in the person of Dr H.V. Evatt, was very prominent at San Francisco, and pressed for amendments to the draft Charter which would give greater weight to the attitudes of smaller powers, emphasise the need for full employment policies, safeguard the right of domestic jurisdiction, and extend the concept of trusteeship to dependent territories generally. The discussion was intense, and some of the proposals proved influential; but Dr Evatt's campaign against the veto was a failure.[4]

The Bill to approve the final Charter was passed in the Australian parliament in September 1945 without a division, but the debates reflected some difference of approach between the Labour government and the Opposition Liberal and Country parties:

...Labour was not prepared to rely solely upon collective security and stressed the need for imperial, regional and national defence. While there was general acceptance of the fact of great power predominance, the
Opposition frankly accepted the power basis of the organisation; the Labour government emphasised a concern for the rights of the small nations and a belief in the value of the discussion of all problems by the General Assembly. Out of this stemmed Labour's dissatisfaction with the veto and the Opposition's frank acceptance of it. Dr Evatt's idealism came out in his enthusiasm for pledges; the Opposition, seeing no enforcing authority, was frankly sceptical. Alongside the Liberal suspicion of dictation by an international body on matters of economic policy and of Labour's demand for full employment as an international obligation stood the Country party's enthusiasm for international consultation and negotiation. Labour was more confident of the success of the United Nations, but here there was no clear-cut division on party lines. There was agreement that the Charter adequately safeguarded matters within domestic jurisdiction. The Opposition was more inclined than the government to see the United Nations as an unsubstantial substitute for the British Commonwealth in Australian foreign policy.[5]

Such opinions were to be found, expressed in local terms, in the parliaments of most of the participating states. Memories of the League were too strong for the UN to be accepted with the burst of enthusiasm which greeted it in the United States, which had not been a member of the League, and where liberal opinion saw the UN as not only the hope of the world but also a means of restraining isolationist tendencies. The UN was to such a large extent an American creation that it attracted a certain protective attitude amongst Americans. This was at first enhanced but later dispelled by the UN's physical presence in New York.[6]
Australian approaches to the formation of the specialised agencies were largely influenced by the possibility that their activities might affect Australian interests as these were perceived at the time. In particular, the economic agencies - GATT, the IMF, the World Bank, and to some extent FAO - were viewed with concern in case they might damage imperial preference, price stabilisation and the exchange rate. The Labour government urged them and the UN to adopt full employment as an objective, the hope being that if this were done it would help to avoid situations in which the effective demand for Australian exports dropped because of unemployment in buyer countries. There was professional interest in agencies such as WHO and UNESCO, but little public concern.

In general, the creation of the UN family seemed to Australians, as to others, a fitting finale or aftermath to World War II. The war had gone on for so long and been so disastrous that some attempt at international cooperation, especially in respect of future wars, seemed not only desirable but to some extent inevitable; otherwise, what would have been the point of the war? The notion that things would proceed as before was unacceptable. There was no assurance that the new international organisations would solve the world's problems, but at least they seemed to be steps in the right direction.

III

Forty years on, what has happened? It is convenient to look first at the UN itself, since it is the most prominent member of the family, and has reflected change in a more striking manner than some of the specialised agencies. I suggest that there have been two main changes in the international environment within which the UN operates. These changes are the split between the United States and the Soviet Union, and the great increase in the number of sovereign states. They have affected the whole set of
assumptions on which the Roosevelt vision of the UN was based.

The destruction of 'great power unity' by the hostility between the Soviet Union on the one hand and the United States and its associates on the other damaged beyond repair the idea that the Security Council could make effective decisions about aggression, and could use military forces in support. It also ensured that questions before the UN would be approached in a spirit of partisanship, with each side attempting to make its case effective in the eyes of uncommitted states.

During its first decade, the UN operated in a particular fashion because of the pre-eminence of the United States, which was able to call the tune for a majority of the members of the General Assembly - the Latin Americans, the West Europeans, the Commonwealth countries of settlement, and the occasional Asian country such as Thailand and the Philippines. France was still an American pensioner; West Germany and Japan were still excluded from membership. The de-colonisation process had hardly begun in Africa and in other colonial areas outside Asia. Apart from the Communist bloc in Eastern Europe, the only significant opposition to US policies came from India and such other countries as it could muster as non-aligned. The situation was somewhat altered in 1955 with the so-called 'package deal', which admitted sixteen new members from the Communist bloc, Western Europe, the Middle East and Asia.

Meanwhile, the world outside the UN was altering. First, the states which had been of major international importance before World War II - France, West Germany, Italy, Japan - were regaining their economic strength after a period of dependence upon American charity, and were beginning to acquire more significance in the international economy.

Second, de-colonisation began in Africa with the independence of Ghana in 1957; after 1960 it continued as a flood-tide. Spreading beyond Asia and Africa to the Middle East, the Caribbean, Mediterranean and the Pacific, it eventually created a situation in which there
are more than 150 sovereign states, compared with the 51 which formed the UN and the 60 which were members before the 'package deal' of 1955. Since then, acceptance of newly independent states into the UN has been virtually automatic, except for outcasts such as Rhodesia and Taiwan. This UN action has been symptomatic of diplomacy at large: the new states have been quickly accommodated within the international system, because of their potential significance for strategy and economics, however weak and relatively unimportant they may be at the moment of independence.

The effects of the major changes in the international environment upon assumptions about the UN are plain. The UN was to have been largely led by the United States and its associates. It was supposed to deal with the things which they regarded as important, especially the possibilities of aggressive war. While it was to have some say in economic and social matters, this was envisaged as involving relations between the states of Europe and North America, and to a lesser extent of Latin America and Asia. Africa and the Middle East were not assumed to be of much significance except as objects and instruments of Western policies (which included American anti-colonialism, a pursuit which caused some anguish to the European allies of the United States in the 1950s). These assumptions could certainly not survive the increase in the number of sovereign states; specific American assumptions about the permanent leadership of the United States could not survive either this increase or the return to influence of other Western centres of economic power.

IV

As already indicated, the split between West and East rendered impotent the security functions of the UN. The provisions for commitment of armed forces to the Security Council in Articles 43-47 of the Charter had no effect; nobody mentions them now. The Council itself has rarely if ever functioned as the kind of body
envisaged by those who wished it to avoid the lack of action so characteristic of the League; instead, it has operated as a debating chamber in which the United States and the Soviet Union have abused one another, while other members scurried about in order to frame resolutions which would protect their national interests while keeping them in the good books of other states with which they wished to stand well. Substantial conflicts like the Vietnam war, the Iran-Iraq war and the clashes between China and Vietnam have been ignored by the Council because of their sensitive nature and the fact that collective actions would be impossible in the face of a veto by one or other of the permanent members. The Korean war is the one case of Council action of the kind originally envisaged; and this came about only because the Soviet Union was absent from the Council at the time.

The UN has not entirely deserted the security field, as the presence of 'peace-keeping' forces in the Middle East and elsewhere demonstrates. But these forces have not had the status of those envisaged for the Security Council; their powers have been limited to a minimum; their effect, except perhaps after Suez and in the Congo, has been negligible. They are essentially substitutes for effective action. The Council itself has given up the implicit assumption that peace is indivisible; instead, each conflict is viewed primarily as an opportunity to score points and to sustain individual national interests.

A change consequent upon de-colonisation has been the diversion of the UN into consideration of issues chosen by the dominant Third World majority, especially the African and Arab states. This means that in the political sphere the General Assembly and to an increasing extent the Security Council have been preoccupied by Israel and South Africa, the betes noires of these two groups. In the economic sphere, the Assembly has been constantly concerned with the complaints of Third World countries about the Western industrialised countries' operation of the world economy; these complaints culminated in the formulation of a demand for a New International Economic Order.
The effects have gone much further than the debate in the Assembly: they have involved the formation or enlargement of UN organs designed to serve Third World economic interests. These include UNCTAD (United Nations Conference on Trade and Development, which is now a Secretariat as well as a conference), and UNIDO (United Nations Industrial Development Organisation).

A development of consequence has been the appearance of formal groupings or caucuses within the General Assembly, which agree on common approaches to issues before the UN, and produce candidates for membership and chairmanship of committees. Recognised groupings are the Arabs, the Africans, the Latin Americans, the East Europeans, the Asians (with ASEAN as a distinct sub-group), the West Europeans (with the EC as a sub-group of major significance), the Caribbeans, and the Pacific Island states organised in the South Pacific Forum. The Third World countries as a whole cooperate in the so-called 'Group of 77', now much greater in number, which is responsible for NIEO strategy. The United States remains aloof from groups, though it knows who are its friends on particular issues; and China has found accommodation somewhat difficult, for obvious reasons. The groupings permeate the whole life of the UN.

An area in which changed conditions have had a notable effect is that of staffing. The original League idea of a secretariat of international civil servants who would be loyal primarily to the organisation and not to their countries was adopted by the UN. The League Covenant had stated that all positions would be open to both men and women, but had otherwise contained no requirement about recruiting staff. Article 101 of the Charter says that 'efficiency, competence, and integrity' shall be paramount considerations, but adds that 'due regard shall be paid to the importance of recruiting staff on as wide a geographical basis as possible'. Such a statement did not envisage a UN membership three times as large as when the Charter came into operation. The effect of the great increase in the number of sovereign states has been to reduce
the numbers of staff drawn from the original members in order to find room for those from the newer ones, i.e., from the Third World. Since so much of the time of the UN is spent on issues raised by Third World members, this movement in staffing has a certain appropriateness; but it has been accompanied by a decline in efficiency, an increase in local nepotism (since nomination to a UN job may be the pathway to an assured future), and a close linkage between the initiation of Third World policies and the attempt to carry them out within the UN framework. Given the habits of sovereign states, much of this development has been unavoidable.

The general effect of the environmental changes has been to turn the UN from an institution intended to be primarily concerned with security into one involved in propaganda and diplomacy about other matters. Issues of security which affect the world as a whole - those involving the superpowers, which have global reach - have been subordinated to the economic interests of the Third World; action, except in the setting up of an occasional institution such as UNCTAD or the conferences on the Law of the Sea, has been subordinated to talk. I am not suggesting that this general effect was necessarily avoidable, or that it has necessarily been bad. It is very doubtful whether any security organisation for the world as a whole could be developed following the hostility between East and West and the growth of nuclear weapons. It is certain that, with the increase in the number of sovereign states, no international body which professed universality of membership, such as the UN, could have withstood the pressure to give free rein to the interests of the new states.

Moreover, it can be argued that, since the security functions of the UN have atrophied, it should be judged, not on its absence of these, but on the extent to which it facilitates diplomacy in those spheres in which multilateral discussion is necessary. If security is now beyond the reach of universalist bodies, perhaps economics is not; perhaps, also, there are new areas of international cooperation for which
the UN provides an indispensable beginning. I am sceptical of such a proposition, because it seems to me that the UN and the specialised agencies have gone too far in their present direction (see below, section V) for them to be the standard-bearers of international cooperation in new areas; but the point is still of major importance and deserves attention. [7]

V

The specialised agencies have had similar experiences to the UN, since membership has been much the same in all cases (not quite the same; it is significant, for example, that the Soviet Union is not a member of the IMF). In addition, they have had certain problems of their own.

The first is overlapping in the functions they perform. At first sight their differences in basic function seem to be clearly delineated. However, since they now compete with each other in the development field, and since the notions which have gained currency in that field have emphasised the interrelatedness of the development process (e.g., between education and health and food production and saving and the work ethic and rising expectations and entrepreneurship and infrastructure, etc., etc.), there are plausible reasons for their all doing much the same things. It is a natural strategy for Third World countries to turn the ILO and UNESCO away from their former Eurocentric pursuits and immerse them in aid to development. The difficulty of coordination between the agencies is compounded by the eagerness of their staffs to expand activities, and by the fact that the UN itself is involved in the development process in a variety of ways. The result is that in many Third World capitals one can see the display signs, the neat offices and vehicles, and the often hardworking officials of a variety of UN organs and agencies. This gives the politicians of the local state an opportunity to divide and rule. A development project can be parcelled out to competing agencies, not always working amicably together. The effect may in
the end be a good one; the process is often tedious and sometimes self-defeating. The UN, Article 58 of whose Charter says it 'shall make recommendations for the coordination of the policies and activities of the specialised agencies', has exerted very little influence.[8]

Another problem arising from both the hostility between East and West and the increase in Third World influence is that specialised agencies may find themselves drawn into issues which appear to be outside their constitutional obligations, and which excite the opposition of powerful members. This was one of the reasons why the United States left the ILO for a time, and is in the course of leaving UNESCO. The intrusion of anti-Israeli propaganda into seemingly technical, a-political matters is a major case in point. The agencies which have obviously technical functions, such as the UPU and ITU, have suffered least from this problem; but it is Arab and African strategy to involve as many international bodies as possible in their anti-Israeli and anti-South African campaigns, and the problem has already arisen for the technical agencies.

A major question for all the specialised agencies, but notably and crucially for the IMF and World Bank, has been the extent to which their activities should respond to Third World economic demands. As already suggested, some agencies, such as the ILO, UNESCO, WHO and FAO, have largely adapted their activities to these concerns to the extent which their budgets allow. The IMF and World Bank are in a different category. Because they are in the business of lending money, and because the world's supply of spare money is largely concentrated in the business districts of North America and Western Europe, the states located there, which are major contributors to their funds, have been given weighted votes in deciding their policies - a circumstance which does not apply to any other specialised agency. In recent years, the growing balance of payments deficits of Third World countries, and their insatiable appetite for development funds, have led them to demand more generous treatment from
both the IMF and the World Bank, and to demand more voting rights to decide policy. The two bodies have in fact shown considerable interest in Third World needs. This applies especially to the World Bank, which has provided special facilities at low rates of interest, and has largely converted itself into a Third World agency - though it continues to examine projects in terms of their capacity to pay for themselves according to the conditions of the loans. The IMF has struck particular difficulty in the past decade because of the massive balance of payments deficits of many countries, and the unpalatable nature of the conditions which the IMF applies to its advances in the hope of avoiding such deficits once the current ones are settled. It is very easy for any government to tell its people that there has been interference or domination by the IMF, and that otherwise all would be well. The reverse is usually the case; but this is not something which a Third World government, however authoritarian, wishes to say.

One further problem of the specialised agencies, presumably unforeseen by those who brought them into existence, is that to a large extent they have become the instruments of professional and other interest groups, rather than of the broad international concerns that were originally envisaged. National treasuries regard the IMF and World Bank as their preserves, trade departments GATT and UNCTAD, health departments WHO, transport departments ICAO, and so on. In each case these national departments bring with them the interest groups which make up their constituencies, so that scientists and school-teachers support their education departments in regard to UNESCO, and employers' and workers' organisations join with labour departments in the tripartite management of the ILO. Such a situation contributes to a static quality in the agencies' operations: they can go only so far as the conventional wisdom of their constituencies will permit. This may seem to sit badly with the pressure from Third world countries to undertake new and controversial activities, and in some cases it does: conventional wisdom prevails in
GATT, the IMF and World Bank, and in the other more technical bodies, but in UNESCO and the ILO something a truce exists between the two kinds of influence. Each can find some scope in how the agency operates, and they do not necessarily conflict. If there is a loser, it is the overall conspectus of mankind's needs which the agencies were assumed to develop.

Two consequences have followed from these problems and characteristics of the specialised agencies (not uniform between them, but present in essence in all). One is that they have become increasingly unsatisfactory in the eyes of many Western powers; they may also have become so in the eyes of the Soviet Union and its associates, but these states do not say so, presumably because of the propaganda value which the agencies represent. The other is that, because of the poor performance of some of the agencies, they may have prejudiced the whole cause of international organisation.

The first of these consequences is obvious, having been widely ventilated during the discussion of the likely withdrawal from UNESCO of the United States. The overwhelming influence of the more radical Third World countries has given both the UN General Assembly and some of the specialised agencies the appearance of propaganda machines, the propaganda being directed against the Western powers - formerly on colonial questions, now on economic issues. The Western powers pay the largest subscriptions and get what many of their leaders regard as the worst deal. The situation appears to be what was described with prescience in 1956 by Martin Wight; he was writing of the UN, but his words could now be applied also to the specialised agencies which have received the most publicity:

The important feature of the United Nations is not that it has dramatized the entente of sympathy and perhaps of interest between the proletarian nations, who believe they have nothing to lose but their backwardness, and the Communist powers, who offer the
most highly coloured diagnosis and remedy for this condition. Such an entente existed irrespective of the United Nations. Nor is it that the United Nations has played only a small part in the power struggle between Russia and the West. This was predictable and in accordance with all historical experience. It is rather that the United Nations has enhanced the power struggle between the have-nots and the status quo powers. The existence of the United Nations has exaggerated the international importance of the have-not powers, enabling them to organize themselves into a pressure group with much greater diplomatic and propaganda weight than they would otherwise have had. The paradoxical consequence has been that powers which, taken collectively, exhibit a low level of political freedom, governmental efficiency, public probity, civil liberties and human rights, have had the opportunity to set themselves up in judgement over powers which, taken collectively, for all their sins, have a high level in these respects.[9]

The second consequence is akin to the first, in that the first provokes the question whether there can be further advance in the work of international organisations if there is now so much dissatisfaction with them on the part of the states which nurtured them and which provide most of the money for them. In this respect the position of the United States is crucial. As we have seen, the UN family would not exist in anything like its present form if the United States had not willed it so; and without the United States it is difficult to see how any effective new organisations could be created, and how the present ones could survive.

It should be remembered that the essence of these bodies is universality. To create regional bodies like ASEAN and the OAU, or to bring the rich countries together in the OECD, is one thing: it calls for
effective mobilisation of states with similar interests, and, while sometimes difficult because of local circumstances, has a prima facie plausibility. To create a body which includes all or nearly all the states of the world is another matter. It calls for a combination of the high and low, the nice and nasty, the great and small: to convene it without the presence of the United States is to play Hamlet without the prince. The way in which the United States torpedoed the proposals for a seabed authority which emerged from the conferences on the Law of the Sea shows how great is the distance between Roosevelt and Reagan, but also how barren may be propositions about future activity within the UN family if these do not receive American support.

As in the Roosevelt period, a number of the United States's associates would follow any American lead. There would not be the same need for all of them to do so; for example, one can imagine circumstances in which France might support the formation of some new body, because of the influence this could generate amongst African and Arab states, even though the United States remained apart. Something like this is happening now with UNESCO. But such action cannot lead to universality: it can at best create a situation of rival blocs or associations which spend time in abusing or sabotaging one another.

Anything short of universality would be disastrous in such fields as posts, telecommunications, meteorology, civil aviation and maritime transport. A certain universality can be achieved for the time being by ad hoc conferences of all states prepared to attend, but cannot be given the continuity which a secretariat provides. This was recognised more than a hundred years ago: what was distinctive about the public international unions was that they had officials maintaining continuity between one conference and another. Unless there is the kind of persistence which occurs with a permanent secretariat, world-wide international cooperation cannot be sustained over any length of time. A conference is as good as an assembly for short-term rhetoric; but long-term work calls for something more. It is in the need for that
something more that the danger to future international organisation lies, since recent happenings have so markedly created opposition and scepticism in Western countries.

VI

Certain tentative conclusions can be drawn from the experience of the UN family in the past forty years.

First, it can be argued that the idea of a universal organisation to deal effectively with global peace and war is a chimera. Both the League and the UN were unable to make headway against great powers. The only way in which this could have been done was to form alliances within the organisation to combat great powers which refused to accept majority judgement. If the offending great power were a member of the organisation, its expulsion (as with the Soviet Union's expulsion from the League over Finland in December 1939) would destroy universality and convert the organisation into an alliance against it. If the offender were not a member the same result would occur. Metaphors about police powers and a jury of an offending state's peers have little relevance: what matters is that, if a universal security organisation is to operate effectively, it must become an alliance. If it does, it may never become universal again; and the question whether it should have been an alliance in the first place is bound to be asked. In addition, it can be argued that the appearance of two superpowers, each with an arsenal of far more nuclear weapons than any third power can command, makes even more chimerical the possibility that major issues of peace and war can be decided or even influenced by the international community at large. The superpowers manage their own affairs in regard to nuclear weapons; no one else appears to affect their decisions. This is a very far cry from the original vision of both the League and the UN.

Second, it can also be argued that, even if great powers are not directly involved, effective control of
peace and war between lesser states may also be a chimera. The current Iran/Iraq war is highly instructive in this regard. Neither great nor small powers within the UN wish to take action to stop the war or identify an aggressor. It does not suit their interests to do so. Not every war between lesser states is of this particular type; but the likelihood that most might be so is strengthened by the conclusion to be stated next.

This third conclusion is that the idea of a worldwide organisation dealing with issues of peace and war may be specific to the states which set up the League and the UN, and quite unacceptable to many of those states which have arisen in the past forty years. The League was often described as an Anglosaxon construct by critical Europeans; the UN, while also largely an Anglosaxon construct, was generally acceptable to European states because of their experience of World War II, but clearly means very little in terms of security to most Third World states. To these, 'security' does not have the same connotation as it acquired for Europeans and Americans in World War II, i.e., the sense of a need to avoid or prevail in world-wide conflict arising from disputes or continued hostility between great powers. Instead, it is primarily a matter of internal security achieved through the possession of armed forces, secondarily one of safety against attack by neighbours, and much less one of protection in the event of great power conflict. There are exceptions, notably in Asia, but the mass of Third World countries, which had little or no experience of the continuous carnage which occurred in Europe in both world wars, do not approach 'security' from a standpoint comparable to that which motivated the creation of the League and the UN.

Fourth, when looking at the non-security activities of the UN and the specialised agencies, one can argue that the Third World has gone too far in baiting and antagonising First World governments and, in the case of the United States, their peoples. It is easy to understand why. The UN family has given
inexperienced Third World governments a form of cheap and easy diplomacy, a series of platforms for theatre and rhetoric acceptable to domestic opinion, an opportunity to identify sinister forces, an adaptable means of displaying apparent unity, and a set of opportunities for careers and individual good living all too often unobtainable at home. In these circumstances rhetoric has often been unfettered, and consequences have gone quite unassessed. Just as it was natural for this to occur among Third World representatives, so it was natural that the traditional distrust of the League and the UN in rightwing American politics should have been fortified by continuous anti-Americanism in the General Assembly and in the assemblies of the agencies. However justified may be the Third World complaints about Western capitalism, the method of their expression has been frequently (some would say normally) offensive. This has bred cynicism amongst Western representatives, and encouraged anti-UN feeling amongst their peoples.

Fifth, if there were no question of whether the UN should deal with international security, and if the Third World were not so single-minded in pursuit of its major rhetorical issues, there would be much to be said for the General Assembly as a form of 'parliamentary diplomacy'.[10] There is ample scope for informal discussion in both bilateral and multilateral terms at the Assemblies; and, in spite of the multitude of inflated speeches, there is also room for the small state and the outstanding personality to make a mark. These are modest but distinct advantages. It can be maintained that the creation of the UN and the specialised agencies has permanently enlarged the area of diplomacy, to the benefit of many small states, and also to the advantage of the major traditional states, which have been given the means of dealing collectively with a multitude of new states; to do this bilaterally might, in certain cases, have proved impossible. It is still to be seen whether parliamentary diplomacy will be a means of dealing effectively with issues which elude bilateral dialogue. On
paper, it would seem likely; but reality may prove to be different.

A general conclusion might be that, forty years on, it is plain that international organisations are a reflection of international politics at large, but a reflection in a distorting mirror. The reflection arises from the fact that the animosities and associations which occur in the UN family are those already present in international politics; they are accentuated but not generated by the organisations themselves. The distortion comes from the fact that the principle of one state-one vote which operates in the assemblies obscures the power relationships which are the main feature of bilateral and multilateral diplomacy outside the UN family. The idea that an assembly majority constitutes 'world opinion' and therefore has some special compelling force is ineradicable, however inappropriate it may be in particular circumstances. This is one of the major drawbacks of parliamentary diplomacy. The world looks different inside the UN building from how it operates outside; and this encourages stylised gestures and attitudes, which may have no ultimate effect but seem significant when they are put forward.

It follows that any expansion of the UN family will have to depend largely upon changes within the situation which the family reflects. In this respect the position of the great powers, especially the United States, is crucial; so is the direction taken by third World strategy. The more the demands made by the Third World seem to be attacks on powerful interests in Western countries, the less successful they will be. Conversely, the more or less important the Third World as a whole seems to Western states, the greater or lesser will be the inclination to support extensions of the family system. In any case, it will be very difficult - in my view, impossible - to return to the mood of forty years ago.

Is that necessarily a bad thing? The mood of 1945 was influenced overwhelmingly by the events of the preceding decade: these were assumed to represent enduring aspects of international relations,
so that the UN Security Council and the economic agencies were designed to deal with the kinds of problems that had arisen in the 1930s, and the Americo-Eurocentric character of that decade was implicitly accepted as a norm. The continued vitality of the Soviet Union, the growth of nuclear weapons, and the appearance of a large number of new states outside Europe and North America, have created a new international environment. Obviously it needs to have institutions of international cooperation; and obviously some members of the UN family, such as the UPU, are still effective in performing that function. The question for the future is what forms should future international cooperation take, and which bodies will be suitable for which tasks. As yet, this question is quite unsettled.
Notes


2. Ibid., pp.817-8.


4. Australian policies and attitudes towards the UN proposals are well treated in Norman Harper and David Sissons, _Australia and the United Nations_ (Manhattan, New York, 1959), Chs.2, 3 and 4.

5. Ibid., pp.89-90.

6. So far as I know, the United States was the only country to make its UN representative a member of its Cabinet, an arrangement which still prevails. Just what advantage is derived from being a member of a US Cabinet is, however, another question.


This fortieth year of the nuclear age, which sees also the fortieth anniversaries of the World War II defeats of Germany (in May 1945) and Japan (in August 1945) provides a good moment for asking ourselves, among other questions, how we have managed to survive the many, many international crises of four tension-ridden decades. The two great superpower adversaries have had between them, for most of that period, capacities for lethal action unexampled in world history. Not only could they now destroy each other's societies, the rest of human civilisation might quite possibly perish as a sort of casual side-effect. Yet in fact hardly a single Russian soldier has died directly at American hands in these forty years, nor an American soldier directly at Russian hands. The vast 'kill-counts' of the wars since World War II (about 21 million by official UN count) have all been outside the basic East-West confrontation: nowadays in Iran-Iraq, Afghanistan, Central America, Central Africa; previously in Vietnam, the Indian sub-continent, the Middle East, Algeria.

If I had to put into a single sentence the apparent recipe which the world's experience since 1945 seems to indicate for avoidance of direct hostilities between central balance powers, it would have to read 'prudent crisis-management in a situation of alliance stability and mutual deterrence'. That recipe obviously has three ingredients (crisis-management, alliance stability and mutual deterrence) and I will look briefly in due course at whether all three have been really necessary in the past, and whether they can or should be relied on in the future. But mostly I will confine myself in this paper to crisis-management.

However, before turning to that we might take a quick look at a few ingredients which do not figure in my list, but which various optimists in the past have assumed would or should prevent wars: international
law, international organisations, especially the UN, arms control, regional and functional organisation, informed public opinion, ideological factors, economic interdependence. My assessment would be that while all those factors could from time to time be shown to have had some influence on particular decision-makers engaged in particular instances of crisis-management, those influences have been so marginal and occasional that none of them individually can be 'given a guernsey' as an independent actor. Moreover, they have been present also in the episodes which have produced hostilities. So one cannot say that their influence has differentiated the war-bearing from the non-war-bearing crises.

The nuclear age, not altogether paradoxically, has turned out to be an age of almost continuous, though limited, dispersed, peripheral and non-nuclear warfare. On average, throughout our forty years retrospect, there have been each year at least four or five sets of hostilities large enough and politically organised enough to fit Clausewitz's definition of war. In this anniversary year of what people so misleadingly call 'the post-war period' there are seven sets of hostilities that must be called wars (Iran-Iraq, Angola, Afghanistan, Vietnam-Kampuchea, Chad, Nicaragua, El Salvador) and nine other conflicts that can almost be so designated (those in Lebanon, Mozambique, Northern Ireland, the Philippines, the Basque country, Eritrea, New Caledonia, East Timor, Sri Lanka). So it is a good deal more accurate to call our period of retrospect the nuclear age than to call it the post-war period, as though war had somehow gone out of fashion after World War II. Would that it had, but in fact non-nuclear war in the nuclear age has maintained precisely its traditional character as the ultima ratio regum, the final argument of sovereigns: that is, in modern terms, of political groups contending to determine political circumstances in their areas of operation. Looking again at the current list of seven wars and nine quasi-wars I mentioned a moment ago, it is clear that in all but three or four cases the political demand for which hostilities were precipitated was the
demand to change domestic political circumstances: that is they are mostly primarily civil wars, with larger or smaller degrees of outside intervention. The three or four exceptions are Iran-Iraq which, rather surprisingly, has not yet developed much of a civil war aspect, Afghanistan and Kampuchea where the external invasion aspects have far outweighed the civil war components, and perhaps Northern Ireland, which can be said to have originated in a campaign by the IRA to win back territory which in their view rightfully belongs in a United Ireland; so, again from their point of view, it is an irredentist war against a foreign government, not a civil war, though it obviously in reality has strong civil war aspects. The fact that there has been in general so large a civil-war component in the hostilities of the past forty years means that the crises that precipitated those wars were essentially crises of domestic consensus. And unfortunately the only working conventions of crisis management have been evolved, through precedent, in the sphere of international politics. That is, they are diplomatic conventions, rather than political or constitutional ones. And moreover, they are the conventions primarily of a particular segment of the society of states: roughly the segment which has taken over the traditions of the earlier European society of states. That particular sector of the much larger contemporary society of states (about 40 out of 160) does include both Washington and Moscow among its capitals, but it does not include many of the Third World capitals, which have mostly tended to disdain the old system and its conventions, among which were alliances and crisis-management. Admittedly there was an apparent case for disdain, in that the old system had failed in 1914, and had never adequately been restored in the period to 1939. But as against those disastrous deficiencies, it had worked pretty well for almost the whole century after 1815 to reduce and limit central balance hostilities, whereas our contemporary variant has so far worked only for forty years. So the present system has, as it were, a previous record to match or, preferably, to better. And, always optimistic, I believe
there are built-in reasons why it could possibly do so. I will return to that point later.

In order to justify my basic contention that the central balance crisis-management of these four decades may be described as reasonably successful, it seems necessary to offer criteria for judging success. At first glance, it might appear that the only necessary criterion, when we are considering serious adversary crises, is the avoidance of war. But that will not do, for it would require us to class as a success, for instance, the management of the Munich crisis of 1938. War was certainly avoided on that particular occasion, but only to be precipitated a year later on terms which were probably worse for the West. So if Munich can be accounted a success for any of the crisis-managers of that dismal occasion, it would have to be called a tactical success for Hitler. Thus it is clear we need a more complex set of criteria than simply the avoidance of war. The criteria I suggest for judging adversary crises are threefold. Firstly, what was the impact of the crisis-management on both the short and the longer-term probability of war between the adversary powers? Secondly, what was the impact, again both short and long term, on the power-position of each of the countries involved? Thirdly, the impact of the settlement on the general interests of peace and justice in the society of states, including its contribution, if any, to the conventions of crisis-management? With criteria so complex, a final judgment on a particular crisis may be only possible at a retrospect of some years. (Munich, for instance, looked like a success to most people for the first six months thereafter. Cuba was a success for the US on the first and third criterion, but not on the second.)

However, when we are looking back over a longish span, as we are doing now over the past forty years, there is another criterion we can use. It involves a phenomenon that I call the crisis-slide. If we look at the historical origins of World War I and World War II, we can see in each case a period of three years before the outbreaks (1911-1914, and 1936-39) during which the crises came thick and fast,
and two of the major powers of the central balance felt themselves progressively backed into corners from which their decision-makers believed they had no way out save war. In 1939 the decision-makers who believed themselves in that position were those in Britain and France. In 1914 they were those in Austria and Russia. In both cases it was the resulting choices of the decision-makers involved which precipitated the war.

One might see any individual crisis as a great boulder rolling down a mountainside: it may crush or damage everything and everyone in its path, but its effect will be limited and localised. Whereas when the boulders (or the crises) come thick and fast, they seem to compound each other's effects, until the whole mountainside, the whole society of states, slides away in an avalanche of ruin, which changes the general international landscape for ever. That was, to my mind, the nature of the crisis-slides from Agadir to 1914 and from the Rhineland to 1939. And we can, I am glad to say, perceive that no such crisis-slide has developed in the forty years we are looking at. That seems to be the decisive reason why the crisis-management of the period may on balance be described as successful, despite some painful misjudgements in particular episodes by both Washington and Moscow.

The truly interesting question, for students of crisis-management, is how the decision-makers in each of the adversary capitals have avoided backing their opposite numbers into corners from which they would see no way out except general war. The other obvious question, why they have avoided doing so, has a much easier and more obvious answer. The potential penalties for the nuclear powers of causing the adversary's decision-makers to choose war are so enormous that they more or less speak for themselves, and very loudly too, to any rational decision-maker, no matter how serious the crisis or how strong his ideological distaste for the other side's political system. (Cf. President Reagan). What is more, the nature of the weaponry being what it is, these penalties have been growing steadily greater, not less, as the nuclear
age has worn on, and our understanding of its dangers has improved. That is, mutual deterrence has thus far increased with technological change. To a remarkable degree, the bad news has been the good news. That is, the consciousness of danger has been the vital element in the mechanism of safety. The decision-makers of the world have been like a group camped in a gunpowder factory where stocks have steadily increased. Even those equipped with matches have felt less and less temptation to strike them. And every research report by which the ultimate outcome looks worse, such as the recent publicising by scientists of the 'nuclear winter' theory, has increased the assumed overall penalties on central war. And thus strengthened the inhibitions on the successive sets of decision-makers in Moscow and Washington, not only against their making any such choice themselves, but against causing any such choice on the part of the decision-makers in the adversary capital. Alliance stability on both sides of the balance has also been converted into an unacknowledged common interest by this factor, since the issues likely to be construed as vital by the adversary decision-makers are in general signalled by the shape of their respective alliance-structures. We can see the influence of that consciousness in the extreme caution which Washington decision-makers have displayed, ever since Dulles in 1953, during the recurrent intramural crises of the Soviet alliance-structure, the Warsaw Pact.

I said a moment ago that the bad news had been the good news. But the converse is of course also true: the good news has been in several senses the bad news. It is good news that the decision-makers in Moscow have obviously never felt themselves backed into a corner from which they could see no way out save central war. But if we look back over these forty years as a period of power-contest, as well as a period of crisis-management, the reason neither superpower has felt backed into a corner is that the contest has been essentially indecisive: a drawn series, 'advantages even'. The West has not lost any truly vital position since 1945: the central lines are much as
they were when the guns fell silent. On the other hand the Soviet Union has done no retreating (except from Austria in 1955) and the decision-makers in Moscow can claim steady gains, in general military clout vis-a-vis the West, over the decades. Moreover, the Soviet Union has also increased its level of influence, though with various setbacks, in the peripheral theatres of contest in the Third World. Its situations in Cuba and Vietnam and the Horn of Africa may well be construed in Moscow as a kind of piling-up of runs on some global long-term scoreboard. Thus neither the successive sets of decision-makers in Moscow, nor those in Washington, have had any reason, over the long-term, for the 'backed-into-a-corner' feeling that might generate the degree of desperation that would be required to precipitate a decision for war in the central balance. But every now and then, at regular intervals, there is a sort of 'scare period' as the people who watch such things perceive approaching some development that might conceivably induce so dangerous a mood, either in Moscow or in Washington. The present one is the 'star wars' or SDI initiative, the thesis being that if there were some great improbable breakthrough in this enormously complex technology, on the part of the Americans, the Soviet decision-makers might conclude that the US was about to make itself invulnerable to Soviet strike, and that consequently US decision-makers might become emboldened to contemplate, from behind such a shield, a nuclear strike on Soviet targets during some future crisis. Thus there would arise a case for a Soviet preemptive strike. Even if one does not believe in the probability of the postulated technical breakthrough occurring this century, one must contemplate the chance that some real change in the relation between the offensive and the defensive may be coming, for the first time in these forty years.

That will certainly be very dangerous for crisis stability. But there is ground for optimism in the fact that consciousness of this point has already prompted an offer by Reagan (apparently at Nixon's suggestion)
to share the technology with the Russians. That might be regarded as a reversion to the original principle of the Baruch plan, for the original atomic technology, and it may get no further this time than it did then. Yet it does seem a noteworthy embodiment of what I think is the most important of all the principles of crisis management as between nuclear powers: consciousness that the other side's level of anxiety may equate with your own level of danger. That consciousness is behind the recent interest in 'confidence-building measures', like the right to observe each other's military manoeuvres. If that line of initiative were successfully developed, it could be built into a kind of crisis-avoidance mechanism, at least for the European theatre of operations. Indeed the idea has already been in policy-makers' minds for long enough to have established two conventions that one may see in operation from as early as the Berlin blockade of 1948 ('do not seek to win too much, for the adversary cannot afford to lose too much') and the Cuba missiles crisis of 1962 ('Build golden bridges behind the adversary to facilitate his retreat').

The second most important system-preserving development in our forty years of central balance crises has been the staggering improvement in techniques of surveillance. Of course the great powers have traditionally always watched each other like hawks, but until the last two decades their means of doing so were limited and fallible: mostly the ordinary human spy, whose deficiencies are well known. The immense elaboration of contemporary modes of watching only began with the U-2 and RB47 overflights in the late fifties and early sixties. Moreover the level of information-gathering now routinely practised by the superpowers through satellites and such, would not even have been useful until the dawning of the computer age, for no merely human intelligence community, no matter how large, could have dealt with the daily Niagara of information that the satellites produce. Hardly a gun-emplacement can be moved ten feet nowadays without the observation being fed into the other side's 'memory banks': for each of the
superpowers the adversary's disposition of its resources (save submerged submarines) is 'transparent' in a way unique in strategic history.

And, most encouragingly, the policy-makers in Washington and Moscow have had wit enough to see that this vast invisible net of surveillance in which each of them is now inescapably caught may be made actually an asset, rather than a disadvantage, since it can be used for conveying signals more convincing than diplomatic words.

The 1973 Middle East crisis provided a particularly striking example of the use of signalling as the primary instrument of crisis management, and the subtleties that can be conveyed by each power through the other side's surveillance system: not only the US declaration of 'Defcon 3' but on the Soviet side the sending up of satellites, the removing of dependents, the redeploying of naval units, the putting of airborne divisions onto alert status and the 'standing-down' of air forces.

(Considering the importance of surveillance systems for this kind of 'voluntary-involuntary' communication, and its vital role in for instance monitoring arms control agreements, those who protest against its development (as for instance by the up-grading of facilities at Pine Gap) are not really doing much for the chances of peace, arms control or crisis-stability. Providing the real estate for Pine Gap is undoubtedly Australia's largest single contribution to maintaining the stability of the central balance, on which all else depends.)

The more obvious and official kind of communications made in words have also developed quite notably in the past two decades. The well-known 'hotline' between Washington and Moscow, established in 1963 in the aftermath of the Cuba missiles crisis, was used in the 1967 crisis (Middle East), the 1971 crisis (India-Pakistan), the 1973 crisis (Arab-Israeli war), the 1974 crisis (Cyprus) and the 1979 crisis (Afghanistan). No-one has yet leaked any account of its being used in President Reagan's first term, and perhaps it is not likely that it was, since there were
no true central-balance adversary crises in those four years. (The nearest approaches probably would have been the Polish situation in December 1981 and the Korean air-liner in September 1983.) However, even if not used the system has at least been regarded as important enough to be upgraded. The original 'hot line' was just two 66 wpm teletype machines, one in Moscow and one in Washington. In 1971 it was somewhat improved by the signals being routed through satellites. But in July 1984 agreement was reached to replace the whole system with facsimile transmission, which can provide a page of text complete with maps and charts in a few seconds, and can be made mobile. (The chief decision-makers would of course nowadays remove themselves from their normal localities during any period of very high crisis, to special bunkers or airborne command posts.) There are also 'hot lines' London-Moscow, Paris-Moscow and Washington-Beijing: not as yet I think Beijing-Moscow.

The third convention whose observance has been and is essential for the working of the system is that political ends must maintain ascendancy over military means during crisis. This is a principle which puts complications into the lives of the 'top brass' advising the civilian decision-makers in crisis periods, and ones they sometimes find hard to take, for there is usually a direct clash between the kind of strategic dispositions which will be desirable for restraining the rise in crisis tension, and those desirable in case both crisis-management and deterrence eventually fail. So there is quite regularly a clash of opinions between Joint Chiefs of Staff and civilian policy-makers, which can only be resolved by the chief decision-maker, who is normally the President or Prime Minister. In Western systems, and as far as we know in the Soviet Union also, that battle has normally been won by the civilians. One of the main reasons for that has been the memory of a bit of crisis history. In the crisis which preceded World War I, in 1914, the opposite was allowed to happen and helped precipitate the great disaster. The contingency-plan of the German General Staff (the famous Schlieffen Plan which originally
dated back to the beginning of the century) called for the invasion of Belgium. That was strategically logical, in the interests of knocking out France, but its implementation proved politically catastrophic, since it meant Britain was inexorably drawn into the war. By a fortunate chance, President Kennedy happened to have just been reading Barbara Tuchman's book *The Guns of August* (which is about 1914) at the time of the Cuba crisis, and the impression it made on him engendered a conscious determination to maintain political control over even tactical decisions, like the 'quarantine' line at which the US Navy would stop Soviet ships making for Cuba, which was carefully chosen with a view to giving the decision-makers in Moscow as much time as possible to think the situation over. And that policy, the opposite of 1914, of course worked successfully, strengthening that convention as an element in crisis-management ever since. (Though perhaps it was not followed by the Russians in their 1979 crisis-decision-making on Afghanistan. Some analysts say that was basically a military decision, as was the one in 1983 to shoot down the Korean airliner. On the other hand, the ascendancy of political ends seem to have guided the Russians in the Polish crisis since 1980.)

Those conventions, or rules of prudence, seem to me the most important evolved so far in the nuclear age, but there are some others that we could see as coming along promisingly. I hope a convention is developing that arms control proposals and the choice of weapon systems will be guided by consciousness of the vital primary importance of crisis-stability, and even with an eye to the chance that certain weapon systems may actually help crisis avoidance. (Falklands - aircraft carrier?) Also a convention that the surveillance system of both sides will be regarded as legitimate and sacrosanct in any situation short of actual hostilities. If things should come to that pass, the most valuable convention would be one that the 'C31' system of the other side be kept low on the target lists, since it will be necessary for ending the hostilities.
That perhaps may be too much to expect, in the light of current Soviet declaratory policy, but it would be a good line for the new arms-talks to work on. I indicated earlier what to most people will seem a lunatic optimism: a belief or hope that the present central balance crisis-management system could be developed in ways that would enable it to equal or improve on the record of its 19th century predecessor, which in its time managed to restrain and limit central balance hostilities for a whole vital century, even though it did fail dismally at the end, in 1914. There are two main reasons for this apparently unreasonable optimism of mine: first the direction of historical change in the forty years under contemplation, and second what I hopefully class as the drying-up of diminution of several of the traditional sources of central-balance crises. The sources of regional and domestic crises, on the other hand, flourish like the green bay tree, unfortunately.

First, the historical record, which clearly shows most of the approaches to the nuclear brink to be in the early decades of our retrospect. The crises of 1950-51 (Korea) and 1954 (Vietnam), for which some of the diplomatic documents are now available, were marked by what these days seems an almost frivolously casual approach to the notion of using nuclear weapons. Berlin was a potential flashpoint for central war during more or less the whole thirteen years from 1948 to 1961. The 1962 Cuba missiles crisis was undoubtedly the closest approach to the nuclear brink of the entire period. But the last of these events is twenty-three years ago now, and the superpowers have not, to my mind, been on any equally dangerous 'collision course' in the years since. So the most dangerous corners in our postwar journey do appear to have been so far those in its first half.

I put that down to several factors, but primarily to the observation that there appears to be in this area of human behaviour, as in most others, a 'learning curve'. The decision-making elites in Washington and Moscow seem to have on the whole moved up that learning curve as the years have gone
by. Whenever there is a succession crisis in Moscow, or a new President in Washington, there is of course always a chance that the new decision-maker and his entourage of policy-makers will fall off the learning-curve: that is prove reckless, imprudent, insensitive or resistant to the necessary modes of thinking about international politics. Khruschev probably was imprudent by the standards of Soviet decision-makers either earlier or later than himself. Reagan in his first three years, if one judged only by his rhetoric, appeared resistant to any but a moralistic approach to international affairs. But, after all, the system survived them both, and to my mind that probably indicates that it has been institutionalised in the bureaucracies in Washington and Moscow, and in the political elites of both countries, just as the 19th century system was in the analogous diplomatic elites of that period.

Indeed, Washington's allies in NATO, and Moscow's allies in the Warsaw Pact are entitled to see their respective great and powerful friends as evolving an enlarged mutation of their own earlier traditions, following in the more prudent of their earlier footsteps. They may even regard themselves as now having pioneered a move from crisis-management to crisis-avoidance. For if you look at the origins of the European Community, what you see is not so much a drive for economic advantage as a desperate recognition that a way must be found to avoid the sort of European crises that produced the first and second World Wars. And on the whole one would say the quest has been successful: Western Europe is now a security community as well as an economic community. Its crises take these days the relatively harmless form of wine lakes and butter mountains. However inconvenient that may be for other producers of those goods, it is infinitely better than the days when Europe's chief product seemed to be warbearing crises.

Another category of crisis that should, with luck, be absent from our future conspectus, and which provided some of the bloodiest wars of our forty years retrospect, is the crisis of a colonial relationship. With
the winding up of the European overseas empires (British, French, Dutch, Belgian, Portuguese) it is difficult to see any major hostilities of this sort re-emerging) though minor ones like New Caledonia may persist for a while. Britain has prudently moved to crisis-avoidance diplomacy on the last substantial fragments of empire, Hong Kong and Gibraltar, after the painful experience of the Falklands. One might of course see the old Czarist Empire, now the Soviet Union, as due to follow the other European empires through a process of dismantling, with the rise of local nationalisms. If that does happen, it will produce some very dangerous crises. But contiguous empires seem to follow different laws of development from overseas empires, so I would regard it as unlikely, at least for this century.

There also remain of course the informal empires: spheres of influence and economic dominance for one or other of the superpowers, as for instance the United States' contested ascendancy in Central America. But even here it seems to me that central balance crises, as against local crises, are less likely than they were. For to transform Nicaragua, for instance, into a potentially war-bearing confrontation between the United States and the Soviet Union (a central balance crisis) we would have to suppose Nicaragua so important to Moscow that it would allow itself to be drawn into the risks of a confrontation with the US, along the lines of the 1962 missile crisis over Cuba. On all the evidence that is very unlikely. One might go so far as to say that because Cuba 1962 did happen, Nicaragua 1985 will not. That is another example of the learning curve's useful operations. The trauma of Cuba 1962 is still very much present to the Russians, who still class it, I think rightly, as the most dangerous crisis of the nuclear age.

Moreover, the issue of involvement with shaky Third World regimes is the one in which the superpower learning curve ought to be most effective, because it is where their experiences have been the most painful. Vietnam was an immensely traumatic demonstration to the US of the dangers of committing
American power and prestige to a right-wing Third World nationalist regime for the sake of a patch of real-estate alleged at the time to be strategically vital, but in due course found to be no such thing. Afghanistan is perhaps providing the same lesson for Moscow policy-makers, of the costs of supporting a left-wing regime, though we must not expect so much trauma among the Soviet population or so visible a revulsion among the policy-makers. What perhaps we can hope to emerge however is a visible degree of reassessment, by both the superpowers, as to what if any areas of the Third World are important enough to their own interests - strategic or political or economic - to warrant combat intervention to influence diplomatic futures. And the answer, to my mind, for both superpowers will be: very few, if any.

The clearest evidence of this trend is the Iran-Iraq war. Who would have thought, back in 1979, that a full-scale conventional war, at about the technological level of World War I, could rage for almost five years in the Gulf, complete with attacks on oil tankers and oil installations, without involving the superpowers? Yet even during the Reagan first term, when Moscow and Washington (as far as the public record went) were hardly talking to each other at all, there appears to have subsisted between them a well-signalled tacit understanding, roughly on the lines: 'I'll limit my intervention if you'll limit yours'. One might call it crisis-management by tacit 'decoupling'. What is more, the old expectation that crises in the vicinity of oilbearing real estate mean a ruinous rise in oil prices has also been disproved. Despite the war, the reduction of oil deliveries from Iran and Iraq, and the threat to tankers plying the Gulf, OPEC not only has not been able to raise its prices, it has not even been able to maintain them in real terms. The organisation itself indeed seems to be falling apart under the strain of trying to do so. In the mid-seventies OPEC was able to send the West into crisis by raising its little finger: now its capacities in that line seem insignificant. Again that is partly the learning curve phenomenon at work. The decline in
importance of the Gulf region (and hence the decline in the power of OPEC) has not only been a matter of new areas like the North Sea 'coming on stream'. It has largely been a matter of the West having learned to plan on the expectation of oil crises. To use fuels less wastefully, to switch dependence away from the most politically vulnerable areas (the US now gets only about 3 per cent of its oil supplies from the Gulf) and to hold much larger amounts in storage (preferably 90 days) for short-term shocks are all techniques of crisis management in this field.

The potential lesson provided by the superpowers successfully 'decoupling' their relationship from the Iran-Iraq war will, I hope, prove to be pervasive. After all, since they have found they can live with staying out of a major crisis in an area assumed to be as vital to both of them as the Gulf, what arguments will policy-makers in either Washington or Moscow find for justifying confrontations in areas clearly less vital to either? With any luck, both Powers are now showing a degree of wariness, an unspoken conviction that efforts to influence the diplomatic futures of Third World countries are chancy enterprises, the game often not worth the candle. In the early decades of the present central balance, the fifties and sixties, decision-makers in both Washington and Moscow tended towards a kind of competitive paternalism in the Third World. Both political elites seemed to believe that the export of their respective value systems and economic structures was not only natural but important. Allies and protegees in the Third World were assumed to be assets, economically, strategically, and psychologically. Their recruitment by one's own side was seen as an accomplishment and a matter for pride: their assumed recruitment by the other side was seen as a disaster, even an irreversible disaster. The peak period of this competitive paternalism was probably the early sixties. The days of the Congo crisis, when Washington and Moscow appeared on a collision course over that ill-fortuned patch of jungle, and the United Nations ruined itself financially and diplomatically in an effort to keep things under control, are almost forgotten.
now, save by specialists. No equivalent, to my mind, would now be likely, since that kind of missionary zeal departed with superpower experience of the fickleness of many Third World elites. (When you buy them, they do not stay bought.) The expense of supporting such regimes is considerable, (Cuba, Vietnam and Afghanistan put together, for instance cost the Soviet taxpayer plenty, and Western investment in the form of Third World bank loans may not only end in capital losses to the tune of about $350 billion, but political resentment as well). Moreover, both Western and Soviet policy-makers have had to realise that they are not likely really to transfer to Third World countries either their political and economic institutions, or their social values. The societies concerned have values of their own. Some of them, those adhering to Islam, indeed offer a sharp challenge to both Western and Soviet value-systems, and historically might be regarded as more alien to both superpowers than the US and the Soviet Union are to each other. So all in all one may see a kind of disenchantment with the Third World, setting in, psychologically, strategically and economically, producing a resigned recognition that it will and must make its own destinies. That mood may have its dark side, but it probably means that the Third World is less likely to become a source of central balance crises than used to seem probable, even though it continues to proliferate local crises. (If there is a model with prestige in the Third World, it is Japan rather than either the US or USSR.)

China likes to be regarded as part of the Third World but it is undoubtedly also a central balance power, and the 'drying-up' of sources of crisis that I am hopefully arguing for has applied particularly well to US-China relations. It is almost difficult to believe nowadays that the threat of war between those two powers was strong, real and constant for almost three decades, from the final crisis of the Chinese civil war in the mid-forties, through Korea and Vietnam, right up to the rapprochement of the early seventies. At the moment, however, a right-wing Republican President, who used to be regarded as a dedicated friend of
Taiwan, is beamingly preparing to sell high tech naval equipment to Beijing.

In fact I am inclined to use the history of the American conflict with China as evidence for the most optimistic of my hypotheses, which is that if the endemic crises of a relationship are managed successfully from year to year over a reasonable period, the relationship itself tends to 'lose its head of steam', like a pressure-cooker whose safety valve is constantly being opened. So that in time policy-makers begin to ask why the conflict ever seemed to warrant contemplation of war. Something similar happened, centuries ago, in the long conflict between Catholic and Protestant, and the even longer conflict between Christian and Muslim. Those historical comparisons encourage my apparently irrational optimism as to the longer-term future of the conflict between the Soviet Union and the US: always with the proviso that in the shorter term the crises continue to be successfully managed. Actually, reverting to the comparison with China, Beijing seemed a more irreconcilable enemy than Moscow to many Americans from the early fifties till the end of the sixties. And many of those analysts felt a war was inevitable and ought to be precipitated before China had modernised its armed forces. But, as I said, that relationship like the others I have mentioned seems to have dried up as a source of central balance crises. If the allegedly inevitable Sino-American war has apparently been averted, so perhaps may be the allegedly inevitable Soviet-American war.

Even that old standby of the writers of political-science fiction, accidental or inadvertent war (i.e., war without a decision by the authorised decision-makers of either of the two superpowers) has become much less likely as the nuclear age has worn on than it was during the first two decades, when there were indeed some close calls. The paranoic submarine-captain or bomber crew have been put out of potential action by technical developments mostly, such as the 'permissive action link'. And also there was the agreement signed at the height of the detente in 1971.
on measures to reduce accidental and unauthorised use, and a tradition going back to Kennedy's time to convey US secrets in this field to the Russians.

There was also an agreement in June 1973 on measures to prevent nuclear confrontations, and under its general aegis there could be considerable further development of present crisis-management machinery. Even during the Reagan first term, despite detente being officially a dirty word, those old detente agreements stayed in working order. The agreement on the avoidance of incidents at sea, for instance, has remained highly effective. The sort of accidents that might once have precipitated hostilities, like the US carrier Kittyhawk cutting a Soviet submarine in two, have been quietly resolved without even reaching the headlines. If some similar conventions could be worked out for aircraft, incidents like the shooting-down of the Korean airliner would no longer happen.

All that would be needed to develop more organised and 'pre-positioned' modes of crisis-management would be a protocol to the 1973 agreement. Even in the chilly atmosphere of the Reagan first term there was in fact quite a lot of work in Washington directed towards such a development. Congress in 1983 directed the Defense Department in Washington to look into a 'multinational military crisis control centre', which might perhaps work on issues in which there is a wide consensus, like countering terrorist operations. But aside from such cases, a multinational centre probably would be too cumbersome to be workable. A more useful development, to my mind, would be a bilateral centre (US-USSR), probably established in a neutral or neutralised country like Austria, staffed by groups of officers and officials from the US and the USSR, each team having its own secure 'hot-line' to the policy-makers in its own capital. This would be a sort of 'first line of defence' against untoward developments - the Korean air-liner straying over Soviet territory or the Soviet missile straying over Norwegian territory into a Finnish lake, for instance, would alert it at earliest report. Of course, it would have some dangers ('disinformation' for instance) but
the dangers in my view would be much less than the advantages.

If that line of initiative, and the 'confidence-building' measures at the Stockholm Conference (whose first phase runs to November 1986, and in which Rumania has emerged as a vigorous proponent from the Warsaw Pact side) are pursued, the crisis-management 'safety net' for the central balance will be considerably reinforced.

All this will probably sound as if I were taking an excessively rosy view of international politics. But that is not the case, for it is only central-balance crises that appear to me to be moving towards any kind of control. As I pointed out at the beginning of the paper, practically all the sets of hostilities that have plagued the world since 1945 have arisen from regional crises, or crises of domestic consensus. I would not think either variety likely ever to be mastered by the present machinery of crisis-management. None of the seven wars and nine quasi-wars I listed at the beginning of this paper (except Afghanistan maybe) is much susceptible to being influenced by central balance relationships. So I am not arguing that peace is about to break out, or even that the level of conflict in world affairs is about to be reduced. Only that the single central danger that people do most worrying about has been and is being a good deal more carefully managed than is usually assumed.

I would also argue that the central-balance decision-makers have done much better than was originally expected, and better than many people at present suppose, on the second most important danger of the nuclear age, that of nuclear proliferation. In the forties and fifties, even very well informed analysts tended to assume that the forces making for nuclear proliferation would be irresistible, and that by the 1980s there would be thirty or forty nuclear powers. But in fact the number of full members of the nuclear club has been successfully kept to five, and there has been no certain new entry since China in 1964, twenty-one years ago. There are of course
the rumors that Israel has a stockpile of thirty or so bombs, and that South Africa is about to follow the same path; India could probably test an actual weapon within eighteen months if it chose, and Pakistan is certainly trying. Nevertheless in terms of true nuclear strike capacity (proven workable vehicles and a fair stock of warheads) there are still only two major nuclear powers, the US and USSR, and three minor ones, Britain, France and China. That very real achievement of non-proliferation, forty years into the nuclear age, is an eloquent testimony to the capacity of the central balance powers to work together when they have a common interest vis-a-vis the rest of the world, as they do on this particular issue.

So to sum up my thesis as a whole, I rest my case for relative optimism on central balance crisis-management on five main sets of arguments:

First, the evidence for evolution of a set of conventions of crisis-management, and indications that the search for improvement in crisis-machinery continues unabated.

Second, the evidence for the 'age of surveillance'.

Third, evidence for the 'drying up' of some of the traditional sources of central-balance crises. European relationships, formal colonial relationships, 'informal empire' and Third World 'decoupling', US-China frictions and 'accidental war' potentialities: all seem diminishing.

Fourth, evidence that the 'learning curve' operates as it is supposed to in these matters, and is not vitiated by regular or irregular changes in decision-makers.

Fifth, evidence that the central balance powers have quite consciously and successfully operated together to restrict horizontal proliferation, especially since the founding of the Nuclear Suppliers Group or 'London Club' in 1974, after the Indian test-explosion.

That leaves me, as far as central balance analysis is concerned, with two major points to worry about. I wrote at the beginning of this essay that the recipe for the avoidance of central balance hostilities had been successful crisis-management in a context of
mutual deterrence and alliance stability. It is that context of mutual deterrence and alliance stability that seems to me most under attack at the moment. But that is a matter for a different paper.
During the second term of the Reagan Administration, the American military buildup proceeded apace. As the Federal deficit increased, real interest rates began to climb. Trade frictions worsened. The agony of Latin America intensified. By 1988, the North Atlantic Treaty Organisation was splintering under the weight of economic grievances, much of Latin America was in civil war and Japan - mindful of its long-term trading interests - was forging closer ties with China and the Soviet Union. The American era was drawing to a close. [1]

Robert Reich, the author of this doomsday forecast, is a Harvard School of Government man. He is not normally a prophet but he expresses in the article from which this quotation comes the deepest concern about the future of his country and, therefore, the economic future of the market economies. His view of the economic outlook is grim largely because he sees the government of the United States as being 'oblivious to the ineluctable logic linking their defence buildup to the increasing strains in the international economy, and in turn to the decay of America's influence in the world'.

Is the international economic order, which the Americans and British planned and negotiated with great foresight during the wartime years, and substantially embodied in the International Monetary Fund (IMF) and the General Agreement on Tariffs and Trade (GATT) falling apart? Are the rich getting rich and the poor getting poorer? Is there a crisis developing among the market economies, of which the heavy indebtedness of many countries in various states of
development is a symptom, capable of being managed? Are the Big Three (the United States, the European Community and Japan) seeking basically to manage the world economy in ways they conceive to be to their advantage? Is the stability of the world economy threatened by economic tension between the market and centrally planned systems?

Brief answers are attempted in the concluding section of this paper but before than an attempt is made to review four decades of very substantial progress in most economies whether centrally planned or market oriented. In addition it must not be overlooked that the four decades since 1945 have brought with them a technological shift the implications of which are at least as profound as those of the first industrial revolution. Alvin Tofler, the author of Future Shock, has labelled this transformation 'The Third Wave'.[2]

The technological transformation, revolution is an inappropriate description, was given great impetus by wartime research and development. It has also been stimulated by and given stimulus to the international companies which have greatly extended their operations during the past forty years. These companies, the multinationals, are often seen as organisations whose purposes are inconsistent with the sovereignty of modern nation states. It is however necessary to examine their role in the world economy objectively because they have expanded in response to the requirements of an international economy which has developed an impetus with which even the larger countries can scarcely come to terms. Economic forces are propelling us towards international transactions, helped by cheap worldwide communication and transport systems, and nation states are finding it increasingly difficult to enforce laws which sustain the political and economic fragmentation which is the heritage of the past.

As one writer has observed some economic theory is based on assumptions about markets which have little or no relevance to contemporary reality.[3] Since 1945 the industries of the world have been steadily
moving from brute force technologies. Until recently our industrial societies have relied largely on machines which are conceptually extensions of muscle power. Increasingly, as Tofler describes it, a major change has been affecting industry after industry:

Instead of banging something into shape, we reach back into the material itself and reprogram it to assume the shape we desire. We can create wholly new materials. We operate at molecular and sub-molecular level. Instead of investing simple-minded machines to chop or punch or hammer things repetitively, we endow tools with intelligence so that they can adjust rapidly to changing circumstances and turn out individualised products economically. And, if there is an analog to human effort here, it is to mind rather than muscle. Instead of extending brute force the new technologies extend human mental power. The result is that the new Third Wave industries have sharply different social, organisational, cultural and environmental implications. [4]

It is big corporations, aided by smaller new high technology enterprises, which are largely developing and making use of new technology. They have become international because for centuries, and especially since 1945, the world economy has required production from farm, forest, mine and the enterprises which process foodstuffs and raw materials to be organised in increasingly sophisticated ways. Small wonder is it that economists have problems in devising or adapting theory to explain adequately what is actually happening in the world economy. The combination of computerisation, automation and the development of robotics is, for example, standing concepts about economies of scale on their heads. Small runs can now be made very profitable. Moreover thinking about the way international trade takes place and grows or contracts is now having to be reviewed in the light of
work done on the ways in which the multinationals actually operate.

It is now evident, for example, that the once widely accepted factor endowment theory of international trade, which explains adequately enough why mineral rich Australia trades extensively with automated assembly line and high technology Japan, throws no useful light on much of what has happened over the past four decades. Forces more powerful than factor endowments have clearly had an effect. They seem to have been the removal of many restrictions to free trade through the lowering of tariffs and the removal of other restrictions, the fine differentiation of product lines (which has brought about what has come to be known as inter-industry trade) and, of course, technological advances. The mine to metal processes, oil production and refining, the conversion of timber, production and processing of food, manufacture of motor vehicles, chemicals, synthetic fibres, aircraft and computers are all notable examples of where organisation on a major scale and concentration of expertise is required to enable the world economy to function. The multinationals have built-up the skilled organisation needed by the high growth, high consumption market economies.

...they are so changing the nature of the international economy that the multinational corporation must be regarded as the most striking feature of institutional change in the world economy since the war.[5]

Several other points need to be made. The multinationals are characterised by:

- a growing divorce of ownership and management,
- their continual expansion because of policies which take advantage of taxation systems where retention of profits is possible,
- their willingness, almost without exception, to take full advantage of computerisation and the revolution in transport and communications and transport,

- their development of internationally minded staff whose loyalties lie as much or more with their employer as with their country of origin,

- their ability to work, especially as far as some of their banking operations are concerned, outside the reach of national law.

In addition there is now abundant evidence that much international trade is in fact inter-company trade. It takes place very frequently at transfer prices determined by the policies of the company not in terms of conventional thinking about price formation in response to market forces. Increasingly, therefore, economists are coming to see trade flows as only partially being impelled by factor endowments and increasingly as part of command systems within firms.[6]

There is another feature of the way multinationals operate within the world economy which is essential to an understanding of the growth over the past three decades of movements of short term capital. With their enormous cash flows and borrowing capacity they have contributed importantly to the huge pool of $US and other reserve currencies which are held in bank accounts outside national jurisdiction. Expert currency and investment people in the international companies are poised to take advantage of movements in exchange and interest rates.

Against this background the paper examines how the shares of the economic cake have changed since 1945 among the market economies and then, briefly, to consider the changing circumstances and relative position of the centrally planned economies (excluding
China). The subsequent section of the paper provides a brief description of the international economic order based on the IMF, the GATT and international commodity agreements. Before attempting answers to the questions posed at the outset the paper then turns to an examination of the world economic system for maintaining the stability of exchange rates and touches on the reasons why that system broke down in 1973.
2. SHARES OF THE CAKE

Tables are attached showing how shares of the world economic cake have changed since 1945.[7]

The first group are derived from United Nations estimates of Gross domestic Product (GDP) expressed in $US. Regrettably, comparable data are not available for the centrally planned economies. It is difficult to deal with changes over 40 years without overwhelming one's reader with data. The following summary tables are intended to bring out:

(a) within the developed market economies how the position of the EC and Japan has changed relative to that of the United States.

(b) within the developing market economies, to contrast the positions of several groups: the oil rich, the newly industrialising, the old and heavily populated countries, and the rest which comprise the least developed countries and a number of mini states as well as others such as Argentina and Yugoslavia which do not fit into the above categories.

The tables in the Annex are summarised on the following page. The statistical summaries are intended, by incorporating per capita estimates, to show the extent to which the world economy is skewed in favour of the industrialised countries and the oil rich. Because of gaps in United Nations statistics some approximations have had to be made by using GNP per capita data taken from other sources. Margins of error seem to be within +/-2 per cent in the case of the total GDP calculated for the illustrative groups of developing countries used in the summary. It needs also to be noted that GDP data is approximate, especially for countries with rudimentary statistical services. Problems of obtaining national product data in countries where the large proportion of people have traditional agricultural and village lifestyles are, of course, considerable.
## STATISTICAL SUMMARY

### GDP - Market Economies

<table>
<thead>
<tr>
<th>Year</th>
<th>Developed</th>
<th>Developing</th>
<th>Total Market Economies</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>944</td>
<td>182</td>
<td>1,125</td>
</tr>
<tr>
<td>1970</td>
<td>2,114</td>
<td>389</td>
<td>2,503</td>
</tr>
<tr>
<td>1980</td>
<td>7,616</td>
<td>2,092</td>
<td>9,708</td>
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### GDP - Market Economies ($ per capita)

<table>
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<th>Year</th>
<th>Developed</th>
<th>Developing</th>
<th>Total Market Economies</th>
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<tbody>
<tr>
<td>1960</td>
<td>1,500</td>
<td>182</td>
<td>9,890</td>
</tr>
<tr>
<td>1970</td>
<td>3,000</td>
<td>230</td>
<td>970</td>
</tr>
<tr>
<td>1980</td>
<td>9,890</td>
<td>970</td>
<td>6,439</td>
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### GDP - The Big Three

<table>
<thead>
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<th>Year</th>
<th>United States</th>
<th>European Community(10)</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>509</td>
<td>273</td>
<td>43</td>
</tr>
<tr>
<td>1970</td>
<td>989</td>
<td>637</td>
<td>204</td>
</tr>
<tr>
<td>1980</td>
<td>2,599</td>
<td>2,804</td>
<td>1,036</td>
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### GDP - The Big Three ($ per capita)

<table>
<thead>
<tr>
<th>Year</th>
<th>United States</th>
<th>European Community(10)</th>
<th>Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1960</td>
<td>2,817</td>
<td>4,822</td>
<td>462</td>
</tr>
<tr>
<td>1970</td>
<td>11,416</td>
<td>10,580(10)</td>
<td>8,873</td>
</tr>
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</table>
The term 'great inflation' has been used to describe the circumstances of the 1970s. It is necessary, therefore to allow, when using data expressed in money values, for the masking effect of inflation. Often measures of this kind seem to indicate improvements when, in fact, the general decline in the value of currencies hides the fact that growth has often been negative or, at best, minimal.

The Centrally Planned Economies

It is especially difficult to obtain adequate statistical data to enable comparisons to be made of the performance of the centrally planned with the market economies. There are major problems comparing like with unlike. Approximations have to be used based on estimates of the relative size of the Soviet and United States economies.[8] (China is excluded from this brief review of the development of the centrally planned economies during the past forty years, not because it is considered unimportant in the context of the world economy, but because it is even harder to obtain adequate comparative statistics than in the case of the Soviet Union. One can only note within the limitations of a seminar paper, that after a decade or more of largely self-induced turmoil in the 1960s and 1970s, China appears to be moving to much greater participation in the world economy than the Soviet Union, wedded as it is to the concept of the self-sufficient socialist command economy.)

It is generally considered that the Soviet Union reached 40 per cent of the GNP of the United States by 1955 and probably something like 60 per cent in the 1970s. If that proportion is still valid, that would give the Soviet Union a GNP measured in 1972 $US of the equivalent of about $740 billion in 1975 compared with $1.2 trillion for the United States and $1 trillion and $1.6 trillion respectively in 1984.[9] (Sums of this magnitude are very approximate.) It is thought that the Soviet Union reached this level by sustaining a rate of growth of about 5 per cent during the twenty years between 1950 and 1970. This rate of growth
seems to have slowed down appreciably during the past fifteen years. Looking at the Soviet Union together with its not especially willing partners in COMECON, they are obviously dwarfed by the United States, the EC and Japan whose combined GNP would have been between $6 and $7 trillion measured in 1980 US dollars.

The Soviet Bloc does not make a significant contribution to world export trade, especially if trade in armaments is excluded. Its share is about the same as that of Canada, less than 4 per cent. It sells some important commodities (oil, gas, gold, diamonds, non-ferrous minerals) on world markets, but in insufficient quantities to have any decisive economic influence. Since the early 1970s however it has had to import large quantities of food and feedstuffs to make good the deficiencies of its badly managed agricultural sector. In this case Soviet purchases are on such a large scale that usually world markets cannot be cleared unless the Soviet buying organisations are active.

While the objective of the centrally planned economies directed from Moscow has been to achieve the greatest possible self-sufficiency, that goal seems elusive. They have succeeded in achieving sound rates of growth through the construction of smoke stack industries but they are handicapped by the difficulties of achieving adequate levels of agricultural production via a centrally planned system. They also seem to be increasingly outpaced by the technology of the market economies. The heavy burden of sustaining both conventional and nuclear defence forces has obviously hindered the development of the non-military economy. There is an increasing need to purchase technology from market economies to sustain their economic growth. Some East European states have become heavily indebted in the process, especially Poland and Romania. In order to meet their commitments they have tried further to develop their trading links with market economies. [10] In this they have not been discouraged by the countries of West Europe who realise that there are long-term political advantages in
sustaining and developing commercial ties between the two parts of Europe.

The centrally planned economies have progressed but they are as far away as ever from burying the West because of the inherent superiority of their economic systems, as Kruschev boasted in the late 1950s. The competition has proceeded but the market economies are a very long way ahead on points, despite their difficulties during the past decade. Kruschev would be a disappointed man given his expectation that his successors in the Kremlin should have been poised at least by now to arrange the obsequies of the capitalist economies.

Perhaps it is the centrally planned economies which are really beset by internal contradictions. There is now much evidence that the central planning systems worked well enough during the period when the main objective was the construction of extractive, power and heavy industries, but are now showing themselves to be incapable of handling the complexities which the passage of four decades has so greatly multiplied. Even if the Soviet Union had not decided to give such a high priority to defence, detailed central planning would have been exposed as having serious limitations. It is understood that the planning bureaucracy in the Soviet Union has to set 2,000 material balances at Gosplan level, 17,000 for quantities entering the material supply network and 40,000 at the all-Union Ministry echelon. When the correspondences prove to be wrongly calculated, the whole system clearly has difficulty in making adjustments before production delays occur. One could go on, for example, with a catalogue of the problems of the Soviet transport system which seems to handicap both primary and secondary industry in achieving planning targets.

The market economy and centrally planned systems, however, coexist. The former have made good the failures of the latter in agriculture. They have rubbed along without becoming much more than slightly interdependent.
Distribution of Wealth

Whether the tables reveal an alarming trend or not cannot properly be answered using such simplistic data. The position of the Big Three has receded somewhat as wealth has been redistributed to the oil exporters and the newly industrialising have grown. There is an important nexus between the industrial market economies and the major oil exporters. The latter have needed to find investments for their surplus earnings or to purchase sophisticated industrial products including weapon systems. The North Atlantic banking system has obliged and has also acted as the intermediary for the loans which the capital importing countries without oil resources have needed for both the purposes of development and to offset the big increases in the price of oil.

It has not proved possible within the scope of this paper adequately to examine the position of the several other groups of developing countries. For example Argentina and Yugoslavia are still included in that category. The one a victim of the folly of successive governments, the other with many advantages compared with most of the countries of Africa, Latin America and Asia. What is more, most of the countries and states of the Arabian peninsula are now numbered among the very rich. Iraq and Iran are dissipating their resources in warfare. The position of the heavily populated old civilisation countries, considered as a group, seems to have deteriorated. There are the mini-states like so many of Australia's neighbours in the Pacific and, of course, the least developed countries of Africa, Latin America and Asia. It is this last group which have been ravaged by the upward movements in the price of oil and the high interest rates regimes of most of the industrialised lenders and recyclers of capital.

Evidently there are tensions because of the maldistribution of the world's wealth. The problem may be getting worse as the big industrialised countries progressively impair multilateral reciprocity in trade by reverting to mercantilist practices. It could be that the
crisis before us is not a nuclear one. The military stalemate between the superpowers may continue. The most dangerous prospect is that the reversion to mercantilism will undermine the international economic order, completely destroy the slender faith the non-oil developing countries have in the good sense of the Big Three and lead once more to the emergence of economic spheres of influence on the appalling model of the 19th century.
3. THE INTERNATIONAL ECONOMIC ORDER OF THE MARKET ECONOMIES

For the purposes of this paper I have chosen to regard the foundations of the international economic order among the market economies as being the IMF, the GATT and the commodity agreements which have been negotiated during the postwar period. This should not be interpreted as an underrating on my part of the United Nations Conference on Trade and (UNCTAD) and the New International Economic Order (NIEO) proposals which have mainly had their origin in the succession of UNCTAD conferences.[11] They are having a slow but relatively important effect in bringing about an accommodation between the various categories of market economies so loosely described as 'developed' and 'developing'.

IMF

The IMF was established in 1945 because British and American policy planners were encouraged in wartime by their Governments to put down on paper alternative proposals for the postwar framework of international law which would keep exchange rates stable and provide a means of bringing about the liberalisation of international trade and payments. The 1930s had been characterised by competitive devaluations, multiple exchange rates and controls on foreign exchange. As an American spokesman put it at the Bretton Woods conference in 1944:

We saw currency disorders develop and spread from land to land, destroying the basis of international trade and international faith. In their wake, we see unemployment and wretchedness - idle tools, wasted wealth. We saw their victims fall prey, in places, to demagogues and dictators. We saw bewilderment and bitterness become the breeders of fascism, and finally of war. In many countries controls and restrictions were
set up without regard to their effect on other countries. Some countries, in a desperate attempt to grasp a share of the shrinking volume of world trade, aggravated the disorder by resorting to competitive depreciation of the currency. Much of our economic ingenuity was expended in the fashioning of devices to hamper and limit the free movement of goods. These devices became economic weapons with which the earliest phase of our present war was fought by the Fascist dictators. [12]

The essential purposes of the IMF of 1945 were to ensure that:

(a) exchange controls on current payments be allowed only in extraordinary circumstances,

(b) members currencies obtained in current international transactions be convertible at established par values with the currencies of other members,

(c) discriminatory currency arrangements be prohibited,

(d) quantitative restrictions on imports be limited to circumstances where members were in genuine balance of payments difficulties,

(e) lending facilities would be available to enable members to get through periods of difficulty in their balances of payments. [13]

As far as exchange rates were concerned, the Bretton Woods compromise embodied in the IMF, provided that the $US should be the central currency. Other currencies had fixed parities (par values) in relation to it. The $US was the numeraire fixed to gold at $35 per once for transactions between governments.
Other currencies fluctuated in relation to the $US within a very narrow band. They could be devalued or revalued in relation to the numeraire in accordance with the rules of the IMF. The Fund could not withhold its consent to an adjustment of +/-10 per cent, but movements greater than that required approval and the Fund expected that such movements would only be approved if there was clear evidence of a 'fundamental disequilibrium'.[14] Fiddling with exchange rates to maximise trade advantages was made rather difficult.

The IMF has been a major success as an international institution bringing coherent rules to the most technical and potentially vexed area of international relations. That is not to say that it has been any more than partly successful. No international institution can be. There have been successive phases - the period of dollar shortage until the late 1950s, when, largely as a result of the combined efforts of the IMF and the OEEC, convertibility was achieved between the important currencies at the time. A decade of stability in exchange rates followed until the rot began to set in towards the end of the 1960s when the French franc and Sterling weakened and the $US began to fail in its role as the numeraire. The causes of that situation are complex. It is necessary to take into account the economic policies, in their totality, of the major economies including the Johnson administration. The financial outflows necessitated by the war in Vietnam were only one factor. By the early 1970s the $US had become incapable of filling its IMF role and there were widespread doubts about its link to gold as the price edged upwards on the free market.

The Paris Agreement of 1973 signalled the end of the IMF system of fixed exchange rates but not the end of the IMF system as a whole. That needs to be stressed. In the circumstances the market economies concluded that it would be necessary to allow a more flexible system. Fixed exchange rates broke down because of changes in the economic policies of many big market economies, not just the United States, which brought on inflation. They may well have been
compounded by major errors on the part of administrations in the largest of the market economies but in this area it takes both surplus (West Germany and Japan) and deficit countries (United States, Britain and France) to assume appropriate responsibilities individually and collectively. Clearly the EC failed the market economies because of the unwillingness of its members to establish effective Community institutions in the monetary area which could have cooperated with the authorities in the United States and Japan to control the flows of capital outside national jurisdiction (the Eurodollars and Euroyen) which have enabled speculators to take advantages of uncertainties about exchange rates.

In March 1973 the $US, pound, yen, lire and Canadian dollar were floating. As Scammell has described it:

Now the EEC countries of the snake (West Germany, France, Benelux and Denmark) agreed to a joint float against the dollar, Germany revaluing by 3 per cent vis-a-vis the other snake members. Sweden and Norway joined the snake; other European countries floated separately. Thus the fourteen largest countries in the world system ended the dollar standard, a nineteen-month experiment, and left the dollar itself to float. Other members of the IMF (more than 100 countries) went their own ways. Some pegged to the dollar, a few pegged on sterling, some pegged on baskets of selected currencies. What had been advocated by a few academics as early as 1951 had come into being in 1973, a world of flexible exchange rates. It was no longer a dollar standard for the dollar was no longer the nth currency and numeraire, nor was the dollar so important as intervention and reserve currency but it retained its central position of wide acceptability and international unit of account, although the latter
role was weakened in July 1974 by the use of the SDR (defined in relation to a basket of currencies) as the (IMF) statistical unit of measurement and record.[15]

GATT

The other pillar of the international economic order designed in the 1940s to match the IMF is the General Agreement on Tariffs and Trade. The visionaries of that era wanted a much more ambitious construction, the International Trade Organisation (ITO), but it was axed by the cautious majority of the US Congress who were far from starry-eyed about new-fangled international organisations. GATT is based on the principles of free trade, with prescribed and sensible exceptions to the general rules[16]:

(a) The 'most favoured nation principle', embodied in Article I, provides that tariffs and 'all rules and formalities in connection with importation and exportation' shall be accorded unconditionally by all contracting parties (members) to one another. Discrimination is prohibited.

(b) That tariff preferences should be frozen and (hopefully) eliminated.

(c) That quantitative restrictions (import quotas) should be eliminated except in cases of emergency or to safeguard the balance of payments. (This latter provision is consistent with the intent of the IMF.)

(d) That tariff negotiations be conducted on both a bilateral and a multilateral basis and 'bound' tariffs not be increased without renegotiation and compensation.
That free trade areas and customs unions meet criteria prescribed in the Agreement.

The other important provisions deal with anti-dumping and countervailing measures, subsidies, state trading, freedom of transit, etc.

Since the 1940s GATT has been reviewed (1955) and amended (1966) by the addition of Part IV so as to enable it to accommodate more effectively the trading realities of the developing countries (although few if any of them would agree). It has conducted one minor and two major tariff rounds (1960s and 1970s) and been expanded by the addition of the Tokyo Round Codes (1979). It has examined whether the EC and the European Free Trade Association (EFTA), and other schemes for regional economic integration meet the requirements of its Article XXIV. It has provided an important forum for consultation and a method for airing disputes. One could not use the word 'resolving'. Like the IMF it has provided a framework in law where none previously existed which has helped greatly the expansion of international trade.

It was said of the GATT in 1949:

The General Agreement was without precedent in history. It included more countries, covered more trade, involved more extensive action, and represented a wider consensus on commercial policy than any agreement that had ever been concluded in the past. It afforded a hopeful contrast to the record of failure that had characterised the years between the two World Wars.[17]

The characteristics of the 1930s have begun to reassert themselves in the world economy. But the corpus of law and practice remains there, whereas it did not exist before. Nations are more interdependent. Governments are finding that restrictive measures don't work very well in a rapidly evolving world economy where substitutes are readily available and multi-
national companies are as skilled in adjusting to compensate for restrictions in one area as they are to take advantage of windfall profits in the markets for foreign exchange.

Commodity Agreements

Commodity agreements were given legitimacy in international law, in default of the establishment of the ITO, by resolution of the Economic and Social Council of the United Nations. In March 1947 that Council adopted a resolution calling on members of the United Nations to adopt as a guide the principles of the ITO charter relating to commodity agreements.[18] This resolution was effectively endorsed in 1964 when the General Assembly of the United Nations gave UNCTAD responsibility for initiating action for negotiation and adoption of multilateral commodity agreements.[19] From this one can trace a line of thinking which led to the establishment of the Common Fund for the stabilisation of commodity prices. (It was established but has not become an effective international economic instrument.)(20)

A number of multilateral agreements were negotiated against this background in an attempt to eliminate some of the uncertainty in the markets for grains, sugar, coffee, cocoa and, among the minerals, tin. GATT has had a hand, too, in providing a framework within which agreements were negotiated which established minimum prices for some dairy products and consultative arrangements for meat. These latter agreements should be seen in the context of efforts by exporters in the Southern Hemisphere to limit the effects of the export subsidies made available by the US Government and in terms of the Common Agricultural Policy of the EC.

The role commodity agreements have played in achieving a balance between exporting and importing interests is much debated. None of them could be said today to be properly in effect. Price and quantity provisions are virtually impossible to implement when markets are normally oversupplied rather than
undersupplied and there are constant fluctuations in rates of exchange. The imperative for many countries, especially the developing and indebted, is to sell at any price. Storage is costly and many products deteriorate quickly. The situation has not been helped by the determination of the EC and the US to provide massive aid to their farm sectors. On the credit side supplies are generally plentiful. On the debit side prices have been too erratic and markets too restricted, in many cases, for the terms of trade of the countries which rely on commodity exports to do other than deteriorate.

The 1950s can be described as the decade when postwar reconstruction was completed. Both systems, the market and the centrally planned did well. The Marshall Plan and what followed in Europe proved to be a triumph for American diplomacy. The occupation of Japan was marked by reconciliation and rehabilitation not by reparations and subjection in the style of European postwar settlements of 1919. In the Soviet occupied areas central planning seemed to be not without its merits. The Soviets, after exacting reparations from former enemy countries within their sphere of influence, found that they had to allow a net transfer of resources from their economy to other COMECON countries in Europe in order to sustain their position in that chosen sphere of influence. Both systems worked in their own way largely, but not entirely, sealed off from one another. Among the industrialised market economies convertibility of currencies had been achieved by the end of the 1950s and it was evident by then that the principles of free trade (other than for agricultural products) embodied in the GATT were achieving wide acceptance.

The 1960s are regarded with nostalgia these days. Growth was sustained. The European Economic Community was acknowledged as a success. Currencies were convertible and stable. Rates of inflation were generally low. New technology was utilised without causing undue disruption of work forces. Tariffs on industrial goods were generally reduced although non-tariff barriers remained a problem. Trade in most commodities was buoyant. Oil was still cheap. The market industrial economies were confident about the international economic order they had created. The centrally planned economies were making progress with the Soviet Union clearly having developed the economic strength to rival the United States in military terms as a superpower.

There were disturbing signs however of problems which were to shatter expectations that somehow the secret had been found of sustaining continuous
economic growth. The developing countries at UNCTAD in 1964 signalled that they did not share the industrial market economies' assumption that the world economic cake was being equitably shared. The dollar shortage of the previous decade had disappeared. The $US became abundant as the United States balance of payments moved into deficit. That tendency was reinforced by the growing commitments of the war in Vietnam. Inflationary forces began to assert themselves as the market welfare economies increased government outlays in the expectation that the good days would go on forever. In the developing world national control was increased over resources. The formation of OPEC in 1960 can now be seen, with hindsight, as probably the most significant event of the decade.

Among the centrally planned economies problems were beginning to show up with the planning process as the economies became more complex. In the Soviet Union Kruschev's attempts to reform agriculture turned out to be a fiasco. There was evidence accumulating that central planning equated with low productivity in agriculture and could not cope especially well with the complexities of the industrial economies of the 1970s.

The world economy lost its stability in the first half of the 1970s. As has been mentioned, the $US ceased to be able to sustain its link to gold and to remain the numeraire of the international monetary system. Inflationary forces asserted themselves driven on by OPEC's success in bringing about the upward movement of the price of oil in 1973-74. In the face of inflationary pressures and its associated unemployment the industrial countries began to implement import restrictions. The floating of the important currencies proved to be rather less than a blessing. It added uncertainty to an already worsening world trade situation. The pool of Eurodollars was massively augmented as the oil rich nations built up surpluses from sales of the commodity whose price their cartel for a time controlled and which they insisted should be contracted for in $US. These resources had to be reinvested by the banking systems of Europe and, to a lesser extent, Asia. There began, therefore, a
banking process which has led to the massive growth of indebtedness especially in certain East European, Latin American and Asian countries and to constant speculative flows.

While not losing sight of the position of the centrally planned economies in the world economy, this paper deals in these concluding sections substantially with the problem of the growth of indebtedness, the economic crisis of the 1980s, before returning to attempt answers to the questions posed at the outset. As has been mentioned the centrally planned economies are faced with their own internal contradiction between the real difficulties of getting planning calculations right in an increasingly complex economic environment and encouraging productivity and innovation. The market economies also have their problems, largely attributable to the false expectation that economic growth would continue sufficiently strongly to sustain continual increases in public sector outlays. This is compounded by difficulties in adjusting to the sweeping changes to all sectors of the economy which new wave technology has brought with it. But the market economies are showing considerable resilience. By contrast the centrally planned command economies appear to be struggling with rigidities imposed by their system and the burden of defence expenditure in circumstances where the Soviet Union may choose to compete with the United States in the race towards 'Star Wars'.

**The Debt Problem**

The first point to make about the excessive external debt which some countries have incurred is that it is not properly described as a problem but is a symptom of a whole set of problems which have afflicted the world economy since the beginning of the 1970s. To recapitulate some of what has gone before, inflationary forces asserted themselves as growth rates slowed down in the market economies. As William Kline, one of the front-line American writers on the current problems of the world economy, has put it:
The external debt crisis that emerged in many developing countries in 1982 can be traced to higher oil prices in 1973-74 and 1979-80, high interest rates in 1980-82, declining export prices and volumes associated with global recession 1981-82, problems of domestic economic management, and an adverse psychological shift in the credit markets. External debt of developing countries has grown to large dimensions, and in 1981-82 that growth outpaced the growth of exports that sustain the debt. Because of the magnitude of this debt and the widespread, if not generalised, evidence of debt-servicing difficulties, the debt problem currently poses a considerable risk to the security of the international financial system.[21]

It could be added that, as economic growth faltered in the social welfare democracies, the internal borrowing programs of their governments made an important contribution to the rise in interest rates. Problems of international trade and finance are, of course, interlinked and they must be considered in relation to the financial policies of governments especially those of the major economies.

The increase in the price of oil was probably the most important economic event of the 1970s. It would probably be inappropriate to suggest that the OPEC induced sequence of events caused a crisis. It brought about critical balance of payments problems for a number of countries, especially those, unlike Australia, without domestic oil resources. What followed was a series of uncoordinated responses in circumstances where the underlying rate of inflation among the market economies was steeply on the increase. Several of them implemented counter inflationary measures which triggered the recessions of the mid 1970s and early 1980s. The pool of currencies which had accumulated outside national jurisdiction in the 1960s and early 1970s was greatly augmented by the
surpluses of the oil producers. There was a vast need for capital in the developing countries as well as the centrally planned and the countries with sophisticated sectors but potential for development like Australia. The capital available had to find a home. From the mid-1970s on the world banking system, both official and private, participated in a process which sustained world trade, especially in oil products and capital equipment, but gradually created conditions where debt servicing problems would inevitably lead to default, in some cases, rescheduling in others and contraction of demand for investment goods because the level of borrowing could not be sustained indefinitely.

The rise in oil prices has proved to have benefits, another of the economic paradoxes. It has forced the industrial countries which were squandering the world's resources of hydrocarbons to improve their engineering from power generation to the production of engines, petroleum based products and fertilisers in order to make more efficient use of a key raw material which was no longer cheap. It has also encouraged the use of alternative fuels and heat conservation technology.

In forcing through the price increases the OPEC countries deliberately chose, however, to ignore the repercussions for the non-oil developing countries especially the least developed among them. These countries generally speaking could not increase exports, typically foodstuffs, raw materials and rather unsophisticated manufactured products or handicrafts, to offset the sharp increase in their import bills. Their only recourse therefore was to borrow as an interim measure and to hope for an improvement in their terms of trade. Although there have been some upward fluctuations in the prices of some commodities, especially after the 1975-76 recessionary phase passed, the second big upward shift in oil prices created a situation where many governments had to choose between draconian economic programmes designed to reduce demand or the soft option of further borrowing and hoping for the best.
The long-term problems of the non-oil developing countries are likely to continue to be serious. An American commentator has pointed out that by 2000 the population of the countries on the threshold of development is likely to have reached 1 billion and their energy consumption is likely to have increased from the present equivalent of about 5 billion barrels a year to perhaps 15 billion barrels. As for the 'newly industrialised', their present consumption is in the region of 15 billion barrels a year. In fifteen years time, their requirements could be the equivalent of 24 billion barrels annually.[22] An increment in energy requirements of this magnitude will have to be financed but the scope for easing the consequence of higher energy costs by borrowing is now limited. A massive growth in trade will be needed to prevent the structural imbalance among the market economies, which became evident during the past decade, from destabilising the world economy.

The Magnitude of the Debt Problem

Recent analysis shows that the position of the oil importers is likely to improve, while that of the oil exporters is likely to worsen. That is because market forces are working again as far as oil is concerned and the oil exporters, as a group, have passed through the phase of being net lenders to the rest of the world. The oil importers have been forced by the very burden of debt service to limit their borrowings and to take domestic measures, in many cases, that they have hitherto sought to avoid. In their case the net debt/export ratio will hopefully drop from a concerning 1.94 in 1982 to an encouraging 1.28 in 1986.[23]

On the face of it, then, the problem of the excessive indebtedness of some European, Latin American and Asian countries is passing.[24] A period of great difficulty has been managed by the combined wisdom of government officials (one would not put too many politicians from industrial countries on the list) from Ministries of Finance and Central Banks.
and senior executives of some very big private banks in the United States and Europe who have learned what overexposure to developing and East European countries really means.

The United States has come to share the economic hegemony it had thrust upon it in the postwar period with the EC and Japan. Indeed it seems safe to say that its economic foreign policy taking the Marshall Plan, the rehabilitation of Japan and the consistent support for the EC together, despite its avowed objective of sustaining self-sufficiency in most agricultural products, could only have resulted in the gradual diminution of its economic predominence.

Since the hegemony has come to be shared among the big three market economies, a series of events has occurred which has caused observers to conclude that the world economy is reverting to a pattern of restriction which is reminiscent of the 1920s and which reached its apogee in the 1930s. The Japanese have had a brilliant success but it has been the product of their version of the command economy. They import raw materials, they aim for maximum food production at high cost, they concentrate on commercially strategic export lines. They have kept the Yen undervalued.

The Europeans on the other hand have reduced many barriers between themselves and their trading partners, but they have substantially sealed off their agriculture and through subsidisation impaired market prospects for other countries which export meats, sugar, grains and fruits. As the recessions of recent years have washed over their economies they have reverted to quantitative restrictions in several important manufacturing areas. The United States has behaved in a similar way but its combination of a huge budget deficit and tight monetary policy under President Reagan has at least brought about strong demand for imports of goods and services as the $US has risen in relation to other currencies.

It is evident that the Big Three do not at present provide adequate leadership. This can, perhaps, be attributed in part to the disinclination of the Japanese to do other than put a pretty narrow construction on
national interest. More importantly, it is evident that the EC is a very partial construction. Inclusion of Spain and Portugal may well lead to it becoming not much more than a giant preferential area incapable of providing the coherent contribution to collective leadership with the United States and Japan which the international economic order needs if it is to be sustained. As for the United States, its policies are certainly not at this stage based on the postwar assumptions that in an interdependent world, the largest economy must adhere to policies which will enhance stability of currencies, continuance of capital flows from the industrial to developing countries at reasonable real interest rates and encourage long-term reciprocity in international trade. [25]

The Questions

Is the international economic order falling apart?

Yes, because there is a marked retreat from the principles of the IMF and the GATT. Domestic policies are largely designed to cope with inflation, recession and unemployment. Reciprocity in international trade is impaired. The Third World look at the OECD countries and the oil rich and can only conclude that the process of the destruction of reciprocity in world trade will continue.

Are the rich getting rich and the poor getting poorer?

With the exception of the oil rich and the newly industrialising, the direction the world economy is taking is reinforcing the process whereby the industrial countries are at least holding their own while the overpopulated countries of the Third World are inevitably losing ground. Control of population growth has to be dealt with nationally, but there is little prospect that the growth of trade between the industrial countries and the Third World will reach levels in the foreseeable future which will enable Third
World countries to finance without considerable difficulty, the capital needed for their development programs.

Is a crisis developing among the market economy countries?

Yes. Economic crises do not burst upon the world, stock exchange crashes on the 1929 model apart. They slowly gather momentum. The system devised in the 1940s is based on reciprocity. That has developed among the industrial countries, but they still basically regard the rest of the world as properly the providers of raw materials, preferably at prices barely above the cost of production, and the food and feedstuffs their highly protected agricultural sectors cannot produce behind protective walls. The non-oil developing countries have lost confidence in the equity of the market economy system, especially those which have become victims of the high interest rates loans of the past decade.

The prospects for the successful management of the current imbalances in the world economy are not good, if one accepts the validity of the answer to the next question.

Are the Big Three seeking to manage the world economy to their own advantage?

No, because they do not have a sufficient identity of view. They are better described as trying to maximise their own advantage as they see it. The Americans are making a mess of things because of the crassness of their domestic economic policies; the Europeans will not take the necessary measures to enable Community economic policies to be formulated. The Japanese, with their coherent system of policy making, cannot be blamed for pursuing a course which in such circumstances appears to maximise their economic advantages.
Is the stability of the world economy threatened by tension between the market and centrally planned economies?

No, not at this stage. Even the disarray into which the international economic order of the industrial countries has fallen has not caused a strong revival of interest in the Third World in the supposed advantages of the centrally planned command economy system.
After the Reagan administration had run its course, with the President unable to fulfil his duties because of senility, an administration came into office which was rather less fearful of all things Communist. Because of the disarray of the US economy in 1988, it implemented policies which eliminated the budget deficit (without significantly impairing US military strength), reduced interest rates, brought the dollar back to an acceptable level in the foreign exchange markets and enabled the infrastructure progressively to be renewed.

In the face of the failure of the EC to develop sensible economic and financial policies, it worked with China, India, Indonesia, Brazil and Britain to persuade West Germany and Japan to accept appropriate responsibilities as creditor nations. International debts were rescheduled and during the 1990s capital flows resumed at 'normal' rates of interest. Using diplomatic skills, which still excite astonishment today, the United States and others persuaded the EC to establish the Community Central Bank whose first chairperson was Dame Margaret Thatcher.

At the same time the Articles of the IMF were reviewed under my chairmanship to enable the Fund effectively to control speculative flows of capital. The quantitative restrictions spawned in the 1970s and 1980s were progressively removed as GATT regained its former position in the international economic order. Much of the
credit for this must go to its dynamic Director-General from 1989 to 1997, Robert Reich.[26] The Third World was able to play what it regarded as an appropriate role in the IMF and GATT. Suspicion of the motives of the major industrial countries declined somewhat especially as the industrial countries share of the economic cake has dropped over the past fifteen years. 
In the Soviet Union and other centrally planned economies ...

ALAN BURNETT
MARCH 1983
Notes

8. Paul Dibb provided much of the information on which this section of the paper is based.


18. UN DOC E/403 28 March 1947.

19. UNGA Resolution 19/95 (XIX), paragraph 3(c), 1964.


A. Bressand, Mastering the World Economy, Foreign Affairs, Spring 1983, pp.745-772.


23. Cline, op. cit., p.53.

24. Brazil, Mexico, Argentina, Korea, Venezuela, Philippines, Indonesia, Israel, Turkey, Yugoslavia, Chile, Egypt, Algeria, Portugal, Peru, Thailand, Romania, Hungary and Ecuador.


## THE WORLD'S RICHEST COUNTRIES

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<td>27. Britain</td>
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<td>9,620</td>
<td>1.0</td>
</tr>
<tr>
<td>32. New Zealand</td>
<td>7,410</td>
<td>7,910</td>
<td>-0.3</td>
</tr>
<tr>
<td>34. Singapore</td>
<td>6,620</td>
<td>5,980</td>
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</tr>
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<td>35. Italy</td>
<td>6,350</td>
<td>6,790</td>
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<td>42. Ireland</td>
<td>4,810</td>
<td>5,050</td>
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<tr>
<td>49. Greece</td>
<td>3,970</td>
<td>4,280</td>
<td>2.2</td>
</tr>
<tr>
<td>56. Yugoslavia</td>
<td>2,570</td>
<td>3,100</td>
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<tr>
<td>68. South Korea</td>
<td>2,010</td>
<td>1,910</td>
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</tr>
<tr>
<td>70. Malaysia</td>
<td>1,870</td>
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<td>4.9</td>
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<tr>
<td>World Population (millions)</td>
<td>2,525</td>
<td>3,037</td>
<td>3,696</td>
<td>4,432</td>
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**Gross Domestic Product of Market Economies**

($ billions)

Figures in Brackets $ per capita

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<tbody>
<tr>
<td>Africa</td>
<td>35(130)</td>
<td>77(220)</td>
<td>421(900)</td>
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<tr>
<td>North America</td>
<td>547(2,750)</td>
<td>1,071(4,730)</td>
<td>2,852(11,340)</td>
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<tr>
<td>Latin America and Caribbean</td>
<td>67(320)</td>
<td>164(610)</td>
<td>824(2,320)</td>
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<tr>
<td>Middle East</td>
<td>20(250)</td>
<td>47(460)</td>
<td>428(3,160)</td>
<td></td>
</tr>
<tr>
<td>Asia South and East (excl Japan)</td>
<td>70(90)</td>
<td>122(120)</td>
<td>513(420)</td>
<td></td>
</tr>
<tr>
<td>Japan</td>
<td>43(462)</td>
<td>203(1,969)</td>
<td>1,036(8,873)</td>
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<tr>
<td>Europe</td>
<td>324(1,050)</td>
<td>771(2,310)</td>
<td>3,453(9,860)</td>
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<tr>
<td>Oceania</td>
<td>16(1,586)</td>
<td>46(2,340)</td>
<td>179(7,850)</td>
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**Groupings - Market Economies**

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<tbody>
<tr>
<td>Developed</td>
<td>944(1,500)</td>
<td>2,114(3,000)</td>
<td>7,616(9,890)</td>
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<tr>
<td>Developing (incl OPEC) of which OPEC (1979)</td>
<td>182(140)</td>
<td>389(230)</td>
<td>2,092(970)</td>
<td>500*</td>
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**TOTAL**

1,126(570) 2,503(1,040) 9,708(3,310)

* Estimated
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<th>1970</th>
<th>1980</th>
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<td>Total GDP</td>
<td>North American Per Capita</td>
<td>Total GDP</td>
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<td>3</td>
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<tr>
<td><strong>North America</strong></td>
<td>49</td>
<td>-</td>
<td>43</td>
</tr>
<tr>
<td><strong>Latin America and Caribbean</strong></td>
<td>6</td>
<td>12</td>
<td>7</td>
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<tr>
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<td>2</td>
<td>9</td>
<td>2</td>
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<tr>
<td><strong>Asia South and East (excl Japan)</strong></td>
<td>6</td>
<td>3</td>
<td>5</td>
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<tr>
<td><strong>Japan</strong></td>
<td>4</td>
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<td>8</td>
</tr>
<tr>
<td><strong>Europe</strong></td>
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<td>84</td>
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</tr>
<tr>
<td>Developing</td>
<td>16</td>
<td>16</td>
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<tr>
<td>of which - OPEC (1979)</td>
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<td>(3)</td>
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</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td>100</td>
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FORTY YEARS OF MULTINATIONALS:  
THE 'ROBBER BARONS' REVISITED

Neil Renwick

They were aggressive... as were the first feudal barons; sometimes they were lawless; in important crises, nearly all of them tended to act without those established moral principles which fixed more or less the conduct of the common people of the community. At the same time... many of them showed volcanic energy and qualities of courage which, under another economic clime, might have fitted them for immensely useful social constructions, and rendered them glorious rather than hateful to their people. These men were robber barons as were their medieval counterparts, the dominating figures of an aggressive economic age.[1]

The post-1945 years have been characterised by a rapid expansion of multinational corporations, that is, by enterprises controlling operations in a number of countries and organised on a common corporate strategy and pool of human and financial resources. Accompanying this expansion has been rising concern among governments about the costs associated with multinational growth. However, forty years on from the cessation of global hostilities, the relations between governments and corporations are quiescent with these international actors undertaking a rapprochement after the bitter years of the 1970s. This paper traces the multinational ascendancy, examines the main features of government-multinational relations over the post-war period, and seeks to explain the nature of the recent rapprochement.

This brief review argues that: (1) multinational corporations, as a consequence of their size and scope of operations, have come to represent critically-important components of the international political
economy, (2) the impact of these corporations upon the infrastructure of the international political economy during the past forty years has promoted a more pluralistic, interdependent, and uncertain system and culminated in the multinationals playing a central role in the international allocation of available resources, (3) governments, faced with the emergence of these firms and rising domestic economic pressures, have been forced by the inexorable tide of economic change to recognise and ultimately accept a more pluralistic distribution of economic authority than prevailed hitherto, (4) this process of acceptance has been painful for governments and was responsible for the particular bitterness of the 1970s, (5) the rapprochement of the 1980s reflects the final acceptance by governments of the changing economic system and of the central role played by the multinationals therein.

1. The Multinational Ascendency[2]

The overall trend of multinational development during the post-war period has been summed up succinctly by the United Nations conclusion that 'more companies from more countries in more industries are crossing national frontiers'.[3] Four distinct trends are evident, therefore, in the emergence of the multinationals: a rapid and broad-based expansion of world-wide corporate operations, a diversification in countries of origin, an intensification of corporate activity in developed economies, and a broadening in the range of industries subject to multinationalisation.

The rapidity and breadth of the multinationals expansion since 1945 is indicated by the increase in direct foreign investment (DFI) stocks over the period.[4] In 1960 the stock of DFI stood at $US50 billion, by 1971 it had reached $US168 billion, and in 1981 the world stock had reached $US580 billion. In 1950 multinational corporate sales accounted for 8 per cent of the GNP of developed economies whilst in 1971 these enterprises contributed 17 per cent of world GNP and by 1974 were
responsible for 22 per cent of world GNP. It is estimated by one study that, by 1977, there were 10,727 parent companies originating from developed countries with 82,266 affiliates world-wide.[5]

During the two decades following the end of the war, the multinational phenomenon was overwhelmingly American in complexion. In 1950, American DFI stood at $US11.8 billion. By 1960 this had increased to $US33 billion and in 1979 American DFI had reached $US193 billion. In 1980 American DFI represented 42 per cent of world DFI stocks. America formed the country-of-origin for 26.3 per cent of all multinational parents from developed countries in 1977 and 32.6 per cent of all affiliates. However, the 1960s and 1970s saw a dilution of the American character of multinationalism with a rapid rise in the number of Western European, Japanese, and developing country multinationals. The 42 per cent American share of DFI stock in 1980 represents a decrease from a 1967 level of 49.6 per cent and the higher levels of the 1950s. At the same time the European share increased to 42.3 per cent in 1967. The Japanese share of DFI stock increased fifteen-fold between 1960 and 1971. In 1971 this share stood at 2.6 per cent and in 1978 had increased to 7.3 per cent. In 1977 73.7 per cent of multinational parents were of non-American origin with Britain accounting for 15.9 per cent, West Germany 13.5 per cent, and Japan 3 per cent. These non-American enterprises accounted for 67.4 per cent of affiliates with British corporations controlling 26.5 per cent of these. Finally, diversity is increasing as a result of the emergence of multinationals from Newly Industrialised Countries (NICs). One estimate identified 1,100 such enterprises in 1969. Most important to these development have been Brazil, India, South Korea, Hong Kong and Argentina.

Although developing countries account for 74 per cent of multinational affiliates, their share of DFI stock fell from 31 per cent in 1967 to 26 per cent in 1975. In 1980 the developing countries received 23 per cent of DFI inflows. However, of these inflows, approximately 60 per cent was accounted for by only
six countries: Argentina, Brazil, Hong Kong, Malaysia, Mexico, and Singapore. This decline in the share of DFI held by developing countries has been accompanied by an intensification of DFI activity among the developed economies. In 1969, 69 per cent of DFI was directed to these economies and, by 1975, this level had increased to 74 per cent (41 per cent accounted for by America, Britain, and West Germany). In 1980, OECD economies received 77 per cent of DFI inflows.

The pre-World War II period of corporate expansion internationally was characterised by extractive industrial activity and, in the immediate post-war years, these activities were continued. However, the post-war period is mainly distinguished by the expansion of manufacturing enterprises. In 1980, 50 per cent of DFI stock was attributable to the manufacturing sector with 25 per cent shares for the extractive and service sectors respectively. The expansion of the manufacturing sector reflects particular corporate product advantages and more general fears of protectionism in traditional export areas. Manufacturing activity is associated with the technologically more advanced industries such as electronics, computers and pharmaceuticals, medium-technology industries such as motor vehicles and televisions; and mass production industries such as branded consumer products. International production by American corporations has been concentrated in the developed economies whilst more labour-intensive, less-skilled productive functions of manufacture have been located in the lower-wage, large labour-pool economies of the developing countries. Japanese corporations, since their emergence during the 1960s, have shown a propensity to locate in the countries of South-East Asia and, in response to protectionist measures, have expanded their production in developed economies during the 1970s and 1980s. Service industries expanded their international dimensions during the 1970s and 1980s. In particular, the advertising, insurance, accounting, and banking industries have experienced a multinationalisation of firms as these enterprises have found themselves
The multinationals have steadily increased the international component in their overall corporate operations. The 350 largest multinationals raised their international sales relative to their overall sales from 30 per cent in 1971 to 40 per cent in 1980. It is estimated that the multinationals were responsible for an increase in the internationalisation of production over the 1967-81 period of $US932 billion. World trade growth attributable to multinational intra-corporate trading, is estimated to have been 80 per cent during the 1960s. By the 1980s, estimates of internalised corporate trading vary between 30 per cent and 45 per cent of world trading.

2. Multinationals and Governments

The multinational ascendency has had an impact upon Governments at two levels: (1) at the level of the system and, (2) at the level of the State. At the systemic level the movement of the multinationals to a position of central importance in the allocation of resources in the international political economy has increased the plurality of distributive authority in the system, promoted greater interdependency between national economies and the sensitivities of governments towards the extra-territorial determinants of domestic conditions, and increased the uncertainties of the system by exerting novel pressures unforeseen by the architects of the post-war international economic system. At the level of the State the major impact of the multinationals has been in terms of the challenge offered to the States to come to terms with a post-war world increasingly characterised by authoritative plurality with respect to the allocation of available resources.

Systemic Impact

Three dimensions of the international political economy appear to have been of particular importance
with respect to the emergent influence of the multi-national in the international allocative system: (a) the way in which the system is understood to operate, that is, the modus operandi of the system or 'rules of the game', (b) the trading sub-system and, (c) the monetary sub-system.

(a) The 'Rules of the Game'

Rules in international politics have been defined as 'expectations of right conduct in defined circumstances'. Tacit rules in the international political economy, the unelucidated 'understandings' whereby participants are implicitly aware of how the system works and what is expected of themselves and what they expect of others, are embodied in the central tenets of the conventional wisdom of received classical political economic theory. In this formulation, production, distribution and exchange respond to differences in the natural and human endowments of national economies. The exploitation of the comparative advantages of nations in respect to various productive activities gives rise to an international division of labour and the exchange of goods.

Although this formulation continues to explain a significant amount of economic activity and to govern the policy perspectives of national economic policymakers, it fails to account for the increasingly large share of economic activity associated with the multi-national corporations. Essentially a theory of trade rather than of production, the classical perspective holds that production is national rather than multi-national with productive specialisation accruing to States on the basis of national qualities rather than being subject to the internal comparative advantages of the component corporate production units around the world. Over the four decades since 1945 multi-nationals, particularly manufacturing enterprises, have increasingly adopted international production strategies based upon cost advantages accruing from the allocation of specialised production functions to affiliates rather than from the particular attributes of
the host economy. Internalised operations, such as intra-corporate trading, introduce major impurity into the marketplace as it removes activities such as exchange from the pressures of open-market supply and demand price determinants. Further impurity results from the oligopolistic character of the market structures most penetrated by multinationals. Implicit behavioural adjustment by corporations to the presence of 'few sellers' limits the competitive nature of the marketplace. Lastly, the multinationals form a major mechanism for the transmission of capital, labour, and knowledge between economies and thereby providing for the changing of national factor endowment stocks.

The uncertainty arising from this theoretical confusion takes practical form in the impact of the multinationals on the trading and monetary sub-systems of the international political economy. However, as decision-makers seek to address the structural questions raised by the emergence of the multinationals, the search for a consensus about the basic dynamics of the system has become a major prerequisite for such adjustment. The problem of consensus-building with respect to systemic 'rules' is exacerbated by the partial nature of the classical perspective. Demands for a New International Economic Order are reflections of national perspectives that are not tied into the traditional economic doctrines of the 'First World'. As certitude crumbles at the edges the likelihood of autarky and 'national solutions', such as protectionism, increases and the infrastructure of the post-war political economy becomes seriously undermined.

(b) The Trade Sub-System

The foundations of the post-war international distributive and exchange regime were laid down in the earliest years of the period. The establishment of the General Agreement on Tariffs and Trade (GATT), initially regarded as a temporary measure, was and remains an attempt to multilateralise the trading system consistent with the central tenets of classical economic
theory. As noted above, the multinationals have increased their involvement in the world trade system with 90 per cent of American trade and at least 30 per cent of world trade estimated as being attributable to intra-corporate trading.

A more pluralistic regime has emerged as a consequence of a change in the role of the United States in the system and the related expansion of Europe, Japan, and the NICs. The multinationals have played a significant role in these major changes. First, an important factor in the change of position of the United States has been that of the expansion of American corporations. The outward spread of American firms, encouraged by the provision of a more open international trading system and by American Administrations, increased their stock of DFI in Western Europe from $US1,484 million in 1950 to $US19,710 million in 1970. This corporate push formed an important contributary factor in the economic renaissance of the European countries providing much-needed capital, technology and distributive networks. Following a 'merger boom', encouraged by European governments during the 1960s, a European 'riposte' to the American dominance took place with European DFI into America increasing from $US4,707 million in 1960 to $US9,554 million in 1970. Together with the rapid export-led growth of Japan, the European expansion forced a re-evaluation by America of its international trading role.

For political as well as economic reasons, American Administrations allowed the post-war trade regime to include 'asymmetric tariff bargains in which [America] substantially opened its borders and accepted the tariff barriers of other States, which gave up their prohibitions but retained moderate tariffs...[the] system was hardly open, but it was more open, and the self-abnegation of [America] provided a degree of certainty'.[8] This certainty dissipated with the unilateral relinquishment by America of this role in 1971 in response to the size of the renaissance of America's trading partners and their unwillingness to substantially revise the asymmetrical
bargains. Moreover, the multinationalisation of American corporations undermined the ability of America to maintain its 'hegemonic' role by denuding the breadth of the national industrial base through offshore production and the use of such 'export-platforms' to undermine the indigenous production in America.[9] This process has raised national sensitivities and increased pressures for restrictions on trading and direct investment transfers and the partial closure of the system.

The diversity of the system is further promoted by the emergence of the NICs. Multinational corporations have played a significant role in the emergence of these countries as major traders through the establishment of specialised corporate production facilities in these countries designed to provide inputs into the global corporate infrastructure. This, obviously, has played a more central role in the manufacturing sector. Extractive industries, based largely in the Middle East, Latin America, and parts of Africa, have seen the direct control of the trading function pass into the hands of national interests. Six NICs are particularly important with respect to the impact of multinationals upon the domestic export sector: Argentina, Brazil, Hong Kong, Mexico, Republic of Korea, and Singapore. The proportion of manufactured goods exported and associated with multinationals is approximately 33 per cent for Argentina, ROK, and Mexico. For Brazil, the share is 40 per cent and for Singapore it is over 90 per cent. Faced with growing 'import-penetration' by these countries, developed countries have established elaborate non-tariff barriers (NTBs) such as the introduction of 'orderly market arrangements', 'voluntary' restraints, and 'market-sharing'. In addition, some countries such as Australia have moved to terminate selected developing country preferences. The overall effect is, therefore, to place further constraints upon the freer flow of goods through the international exchange system.
The end of Dollar convertibility in August 1971 terminated an era of 'unilateral American Management' and replaced it with a new period of 'multilateral management under US leadership'. [10] Multinational corporations have contributed to the emergence of a more unstable, uncertain condition in the monetary system as a result of their role as major private vehicles for the transmission of moneys through the system.

Dollar convertibility, at the heart of the post-war system, was dependent for its continuance upon the maintenance of an American deficit, sufficient covering reserve assets, and European confidence in the Dollar. However, once short-term debt exceeded gold supply then such confidence was lost. One component in the growing American deficit and falling reserves was that of outward flows of direct investment associated with the multinationalisation of American enterprises. With the American stock of DFI overseas increasing from $US11.8 billion in 1950 to $US59.5 billion in 1967 (55 per cent of world DFI) and to $US86 billion in 1971 (52 per cent of world DFI), a significant drain was placed upon the domestic stock of monetary resources. Although partially offset by repatriated earnings, the rate of return from the stock of American DFI gradually declined. [11]

The movement of multinational corporate funds through the system has increasingly contributed to the uncertainty over monetary flows in the system. Multinationals are in possession of large amounts of liquid assets for the purposes of intra-corporate investment, 'hedging' or speculative purposes, intra-corporate payments and inter-corporate lending. One estimate of such funds suggests that in 1971, $US269 billion in short-term assets held by the principal institutions in international money markets, $US190 billion was accounted for by multinationals. A 1973 study by Robbins and Stobbaugh of 200 American multinationals indicated that the total liquid assets of these corporations stood at $US25 billion with inventory assets available for loan collateral purposes. [12] In 1973 the United Nations examination
of multinationals concluded that there 'is no doubt that multinational corporations could precipitate a currency crisis if they were to move only a small proportion of their assets from one currency to another'. [13]

This pool of monetary resources is augmented by the multinationalisation of the banking industry. Although this process began during the 1950s with European banks entering the American industry, it has not been until the 1970s that rapid expansion has taken place. Total assets of the top fifty banks in the world increased from $US603 billion in 1971 to $US1,448 billion. With a growing proportion of World DFI accounted for by reinvested earnings by established enterprise operations (58 per cent of new DFI by British multinationals and 67 per cent by American over the 1972-81 period is attributable to reinvested earnings), the development of the multinational banking sector has formed a significant source of additional capital. This expansion owes much to the development of a pool of 'stateless money' 'controlled neither by State regulation nor by constraints of domestic money markets'. The burgeoning Eurocurrency markets provide a rich source of funds for bank expansion with the pool of funds rising from $US160 billion in 1972 to $US915 billion in 1982.

A substantial amount of such funds has been channeled into a rapidly-growing 'debt economy' wherein multinational banks have provided private loans to oil-importing countries experiencing deficit problems. In particular, the developing countries have formed major recipients of these loans. The external public debt held by commercial banks increased from 12 per cent in 1967 to 50 per cent in 1975. Rescheduling of debt repayments and the 'pyramiding' of loans to cover short-term liquidity problems, arranged by the private banks, the IMF, and the IBRD continues the slide to ever-greater instability and fragile interdependency.

Facilitated by new technological advances in communications and information systems, the flow of corporate funds through the system raises sensitivities to the size, scope and velocity of such transfers. In
addition to the obvious implications for the predictability of interest and exchange rates and international liquidity, economic 'management' in the system is complicated by the use of such techniques as 'transfer booking' (the transfer of loans and deposits through low or no-tax regimes) and 'transfer parking' (whereby multinational banks transfer their FOREX positions from one currency to another) thereby minimising tax liabilities in relatively high tax regimes. Additional monetary flows designed to transfer funds obliquely are associated with 'transfer pricing' whereby intra-corporate transfers of goods and services are deliberately over-priced ('over-invoiced') to other affiliates located in low-tax regimes.

**State-Level Impact**

The impact of the multinationals at the State level is best understood in the context of the changing nature of the political economy of the State during the forty years since 1945. This period is characterised by a change in the composition of national agendas from an overwhelming preoccupation with concerns of an indivisible kind, that is, with security issues to concerns of a divisible nature, that is, with economic issues. In response to growing domestic economic pressures, governments have increased their direct participation in domestic political economies and extended their participatory role in the international political economy in order to capture an increased share of available resources. As this process has developed, governments have become more sensitive to the inadequacies of maintaining a distinction between domestic and international policy environments and the often 'double-edged' nature of policy initiatives within one sphere without undue reference to implications for the other. Such an awareness has contributed to the dismantling of protectionist regimes in many countries during the post-war period.

At the centre of this dissolution of the traditional domestic-international distinction is the 'core' economic function of the State, described by Anell as the
'broker' or middleman function[16], of national economic resource allocation among competing domestic demands. Economic 'brokerage' during this period of transition has undergone significant change insofar as the 'decisive economic influence' of Government, once opened-up to the pressures of the international environment, has become increasingly tempered by the necessity of accommodation to the pressures of external systemic forces and the constraints embodied therein. The extended, pluralistic authority structure over resource allocation has reduced the extent of the direct influence of governments with respect to factors affecting the domestic economic condition. Government perceptions of change and the extended authority structure form a central leitmotif in their relations with the multinationals. These relationships fall into three distinct phases reflecting a movement along a continuum from welcome to confrontation to reconciliation.

1945-65: The 'Honeymoon'

This twenty-year phase formed the 'take-off' stage for the expansion of the multinationals and, in particular, for the American firms. The number of American corporate affiliates rose from 7,000 in 1950 to 23,000 in 1960. This corporate expansion was largely concentrated in the manufacturing industry with growth in the extractive industries concerned largely with the expansion of existing operations. The overseas thrust of manufacturing enterprises was directed towards the developed countries of Canada and Western Europe whilst extractive industries were largely located in the developing countries of the Middle East, Africa, and Latin America.

Overall, the relationships between the emergent multinationals and governments were tentative. Governments were attracted to these enterprises by their possession of desperately-needed capital and technological resources. The generally-welcoming nature of government receptions to these enterprises was further encouraged by the relative novelty of the
multinational phenomenon and the inexperience of
governments in dealing with these types of private
organisation. Moreover, although the period was one
of rapid overseas expansion by corporations, their
penetration of most host economies was still relatively
small at this stage of development. The organisational
structures adopted by many of these corporations
reflected their 'infant' stage of overseas involvement
and the host-country orientated nature of their
production in the manufacturing sector. Such
structures were, therefore, of a decentralised,
semi-autonomous nature with little integration
throughout the world-wide corporate infrastructure.
These structures raised fewer national fears of
external control than did those firms operating in the
extractive industries where a more centralised,
integrated organisational structure was more prevalent
and external control more obvious. Thus, despite the
concern of governments over the willingness of the
American Administrations to intervene directly in the
domestic affairs of host countries where it felt
American interests were threatened such as in Iran in
1953, Guatemala in 1954, and Syria and Libya in 1958,
the desire for corporate resources facilitated a myopic
approach among host countries wherein the
'cost/benefit ratio was rarely calculated as the benefits
were taken for granted'.[17]

1965-75: The 'Uneasy Relationship'

According to Dunning, the 1960s saw the
beginning of the phase in which governments began
'counting the costs' following disillusionment at the
national shares of the economic rent derived from
multinational activities in their countries and concern
over the political implications of growing 'private
management of public interests'.[18] The multi-
nationals increased their penetration of host economies
during this period. By the end of this phase, 55 per
cent of mining, 36 per cent of manufacturing and
48 per cent of services in Australia and 57 per cent of
mining and 56 per cent of manufacturing in Canada was under foreign control.

In developing countries, where multinationals were particularly visible, the corporations were faced with sensitivities raised by newly-won independence often fired by revolutionary or religious zeal and with governments little sympathetic to corporate interests. Host hostility was fuelled by periodic exposures of corporate abuses such as corruption in Honduras and Mexico in 1974[19] and political involvements as in Chile in 1973.

Developed countries too came to express concern at the adverse dimensions of multinational activities. Such concerns centred upon the dangers of 'La Defi American'. Technological dependence, the possible inhibition of national firms, the difficulties of national monetary, trading, and incomes policy management were of particular importance to these governments at this time. The further concern over external manipulation of host economies by home governments using the multinationals as conduits for political ends was raised by the attempts of the American Government to prevent American firms transferring technology from America to French affiliates following the French decision to partially withdraw from NATO in the late 1960s. In America itself, concern was growing over the possible dangers of continuing large outflows of capital upon the balance of payments and organised labour was expressing objections to the 'export of jobs' offshore which it calculated to be in the order of 900,000 for the 1965-71 period. Unease was also growing within Congress with members concerned at the adverse impact upon the national standing of corporate abuses overseas.[20]

The period was, therefore, characterised by national pressures upon the multinationals in order to establish greater government control over the factors influencing the domestic economic condition. In developing countries successive rounds of renegotiation of extractive concession agreements and 'obsolescent bargaining' took place at the national level and multilaterally. The success of the Arab countries,
such as Libya and Iran in changing the balance of their relations with the petroleum multinationals and of Chile in its offensive against the copper mining corporations, encouraged other hosts to press for change. Producer 'cartels' in such commodities as Bauxite, Coffee, and Copper were established as were regional 'codes' and strategies for dealing with the multinationals on a 'united we stand' rationale such as that adopted by the Andean Pact in 1969. A further tier of pressure was added with the use of the United Nations forum to attack the multinationals and to establish a monitoring and information dissemination centre at the beginning of the 1970s. Where such national and international pressures failed to achieve national objectives, resort was made to expropriation. In 1974, 68 expropriations took place, and, in 1975, 83 occurred. Although a more 'neutral' stance pervaded the policies of home governments, and American Administrations responded to the changed climate of opinion with an avoidance of overt intervention into host countries, some developed countries such as Australia and Canada established elaborate 'screening processes' for foreign investment and takeovers.

This phase of the multinational-government relationship represented the end of governmental unwillingness to recognise the depth of change and a belated attempt to meet the challenge to traditional national authority. The bitterness, uncertainty, and nationalisations of the period are reflections of national frustration at the inadequacy of established policy tools to achieve national goals with respect to corporations established upon multinational bases rather than upon national. It was evident to governments that, in the long term, a *modus vivendi* would have to be reached with the multinationals as these enterprises increased their systemic economic influence. Such an arrangement would require a prior acceptance of the shared nature of the allocation of resources in the emerging international political economy.
In 1983 the London Economist concluded that 'multinational corporations are coming in from the cold. Governments in the rich and poor worlds, anxious for new investment to promote jobs and exports, are giving multinationals a warmer welcome'. [21] The modus vivendi achieved during this period results from a number of factors. However, at its heart is an acceptance by governments of the importance of the multinationals in allocating resources, the need for such resources to bolster national brokerage, and the perception that even the 'robber barons' are constrained in a system wherein 'everyone [is] at bay'. [22]

As the Economist noted, economic recession during the 1970s 'stacked the odds in favour of companies'. This spurred greater competitiveness among governments ('incentives wars') to gain a secure share of a declining economic pool of resources. The recession was deep. During the 1960s developed economies grew by an annual average rate of 5 per cent whilst the rate between 1974 and 1980 was only 2.5 per cent. In 1982 there was zero growth. International trade fell from an annual average rate of volume growth from 8.4 per cent in the 1960s to 6.3 per cent in the 1970s. Clearly, with the continued growth in the influence of the multinationals, despite the recession, their relative importance to national economies increased and aided the process of a softening of governmental attitudes.

Government perspectives altered as a result of a change in the nature of corporate strategies. The increase in the number of multinationals has provided alternatives for governments and undermined the tightly oligopolistic nature of many industries. The largest of the multinationals, traditionally less willing to dilute their control lines to affiliates, have entered into 'New Forms' of ownership patterns such as 'co-production arrangements', franchising, licensing, and sub-contracting. These developments are 'double-edged' in that they provide for the retention
of control over the vital areas of capital and technology by the multinationals and for substantial corporate flexibility in determining the extent of their operations in a particular country. Government direct influence is thereby reduced and bargaining power weakened. With extractive corporations reacting to the national riposte of the 1970s by contracting with producer States and emphasising 'downstream' operations, and with manufacturing enterprises adopting international specialisation of affiliate productive functions rather than complete manufacture to serve host markets, the effectiveness of established government bargaining tools is further reduced. Moreover, the transfer of productive capital from parent companies to affiliates has been increasingly replaced by the use of reinvested earnings from the affiliates themselves. This form of DFI has risen in proportion to all DFI from 45 per cent in 1970-72 to 58 per cent in 1980-82. This practice tends to reduce the level of repatriated earnings and the sensitivities that these raised. However, it is argued among some host governments that, whilst such investment increases the amount of productive capital being used in an economy, it does not introduce fresh externally-derived capital from the corporations. In effect, the multinationals are reducing the risk to their investments by limiting their infusions of capital into affiliates.

Governments have become more sophisticated in their dealings with multinationals as the experience of decision-makers has grown over the years. Governments have sought, during this period, to 'depackage' the parcel of inputs offered by the corporations and to separate the benefits from the costs. Thus, carefully designed inducements to capital, certain forms of technology, and export-orientated production are balanced by the provision of 'performance requirements' (PRs) aimed at ensuring that these enterprises conform with national requirements on restricted practices, labour relations, financing, and marketing. Such policy regimes are buttressed by the multilateral 'codes of conduct' for
multinationals and by the operation of such monitoring units such as the United Nations Centre for Transnational Corporations based in New York.

The rapprochement is not complete. Suspicions and memories do not easily fade. Such incidents as the Lockheed Scandal in the mid-to-late 1970s, the Union Carbide disaster in India in 1984, and the continuing debate over the role of multinational corporations in South Africa continue to ensure that the multinationals' relations with governments contain a strong element of distrust. This lingering distrust is also a consequence of the attempts by governments and sub-national organisations to use the multinationals as conduits for their own particular purposes. The American Administration's attempts to restrict the use of American-derived technology by overseas affiliates of American corporations contracted to the Trans-Siberian Gas Pipeline project during the 1980s raised strong protests among European host governments and led to legislation to block such extraterritorial intrusions. The attempts by the Australian trade unions to organise a boycott of American multinationals, operating in both Australia and Latin America, in order to pressure the American Government to end its economic sanctions against Nicaragua in 1985 also represents an important source of concern over such multi-national organisations and their systemic and State implications.

Rapprochement, therefore, reflects the balance of changes in the requirements of both governments and corporations in this period, the wider economic conditions, and the maturity of experience that results from long exposure and contact. The relationship between the corporations and the governments reflects, fundamentally, the final acceptance by the latter that the firms do indeed represent the 'barons' of the age but, that with care, they may prove not to be the 'robbers' they were once felt to be.
Notes


2. The statistics presented reflect the partial nature of collection during the immediate post-war years and do not, therefore, cover the whole breadth of the period.


The forty years that constitute the recent past for us in 1985 were the future contemplated by those (including some of us) in 1945. It was a future to which, at least in the Anglo-American sphere, an extraordinary amount of attention was being paid. In private groups and university studies as well as within allied governments, the problems of postwar reconstruction were urgently pursued. Elaborate and detailed plans were produced to cope with everything from the demobilisation of military personnel to the administration of defeated Axis countries, and from the constitution for a new global organisation and its agencies to the arrangements for international trade in particular commodities.

The scale of effort devoted to postwar planning is surprising, especially when one considers how few among the myriad blueprints actually materialised as concrete structures in the postwar world. No doubt the nature of the effort invested in these activities reflected the operational mode imposed by the war itself. In that huge exercise of combined operations and contingency planning it was perhaps inevitable that patterns developed in the conduct of war would affect the preparation for peace. Indeed, the extent of the social sacrifice exacted by the war, and calculated in its grim plans, could be legitimised only by demonstrably planning to avert any recurrence of this catastrophe. By 1945, fighting present foes and founding a peaceable future were, for the democracies, part and parcel of the same task.

No doubt, too, planning for the future was consistent with an ideological temper of the nineteen forties. The Keynesian revolution underlay much of the detailed economic work, whether to do with domestic production and employment or international
trade and finance. (In Canberra, for example, the economists gathered in the postwar reconstruction branch, later department, appear to have been a continuing seminar or study group on The General Theory.) Broader social planning could find its theoretical rationale confidently expounded in such sociological treatises as Karl Mannheim's Man and Society in an Age of Reconstruction.[1] (And forty years on, feminists could note that women's role was as effectively domesticated in these plans as it was silently assumed in Mannheim's title.)

This paper is concerned with general ideas expressed towards the end of the Second World War about the future pattern of international politics. Its focus is not on specific blueprints or particular schemes; rather, it is on the overall city planning, so to speak, within which the projected offices, communication systems, private mansions and public housing estates would take their place. When envisaging the future, what continuities with past experience were assumed? What departures from custom and precedent were considered necessary? In short, what model or models of international politics guided these visions?

To examine past attempts to penetrate the fog of the future is one way in which to obtain a perspective upon the novelty of the present. For as well as asking what analysts expected to occur, one can with hindsight attempt to identify developments and problems that would have surprised them. In the discrepancy between reasonable predictions and the actual course of events we may find clues to the sources and dynamics of historical change in international politics.

I propose to consider two books, each of which sought to depict in a general way the likely future of world politics as the war against Germany and Japan was drawing to a close, but before the circumstances and conferences in which the war terminated were known. The books are Carl L. Becker's How New Will The Better World Be? and Edward Hallett Carr's Nationalism and After.[2] After assessing each in turn, there follows some discussion of problems they
jointly pose. The paper concludes with some reflections on the challenges bequeathed to their intellectual successors by the tradition these authors represent.

These historians' essays have been selected for scrutiny rather than, say, the state papers of the period or the memoirs of statesmen, because each of these authors is more concerned with the general sweep of events than with specific details of day-to-day policy. To be sure, each assumes that his readers possess some knowledge of the world's current affairs and of the various schemes proposed for its improvement, but each is pitching his story at a level of analysis that suits my purpose. Beyond that consideration, no higher claim for the choice of these two authors can be made than mere convenience.

The wartime planning to which I have referred was pre-eminently an Anglo-American preoccupation, so that it seemed useful to select an American and a British representative alike of this genre of enquiry. The latter choice was straightforward. Carr had achieved such prominence as a consequence of his classic study, The Twenty Years' Crisis, that his little-noticed 1945 essay is of interest simply as a record of this scholar's attention turning from the pre-war crisis to the postwar future.

Among the Americans many possible choices suggested themselves: Spykman, Welles, Lippmann, Chamberlin, Fox ... As I have previously argued the originality and importance of Spykman's work, there is little incentive to repeat that argument here. None of the others listed is without interest, although each is in places still tied to the discussion of immediate issues that need no longer detain us. To its generality in analysis Becker's book can add the claim of public interest: it was in its sixth printing within two-and-a-half years of first appearance. To choose Becker is thus to represent something of the general American debate.

The pairing of these two authors is helped by their common concern with the problem of nationalism. Moreover, their differences notwithstanding, each is a
sturdy exemplar of what we commonly understand to be the Realist school. To return to these two volumes, therefore, is to be connected to a tradition of enquiry. Alongside our questions about history will emerge some problems in theory.

II

How New Will The Better World Be?, first published in March 1944, began life as a pair of articles published in the Yale Review in 1942 and 1943. Its author, a retired professor of history from Cornell University, is perhaps best remembered for his 1932 book The Heavenly City of the Eighteenth Century Philosophers [6], but he had also written much on American history and political ideas as well as general introductions to modern history and historical method.

The question mark of the title is carried over into each of the eight chapters, so that the book takes on a catechetical form. Simply by reciting the questions and summarising Becker's responses one can convey the issues he is addressing and the essence of his position.

'What is Wrong with the World We Have?'
Unemployment and war: 'Curing them is the twofold problem of our time'. 'Can We Return to Normalcy?' No: 'the attempt to escape into the Golden Age of normalcy is an invitation to chaos'. 'Can We Abate Nationalism and Curb the Sovereign State?' Not really: nationalism is 'the principal political force of our time'. 'Can We Abolish Power Politics and End Imperialism?' No: states will not surrender the political independence for which they are currently fighting, and there are decent as well as indecent imperialisms. 'What Are We Fighting For?' Essentially, for the status quo ante, which Germany and Japan threatened to destroy, and which remains the foundation for any new order. 'What Kind of Collectivism Do We Want?' Social Democracy, in the sense of recognising that some governmental regulation of private enterprise is necessary for social welfare, and as preferable to the remaining alternatives - Socialism, Fascism, and Communism. 'What
Kind of International Political Order Can We Have?" A political settlement between Great Powers who recognise their several interests and accommodate to them. 'What Kind of International Economic Order Can We Have?" A somewhat functionalist development of international economic cooperation and coordination led by the Great Powers.

What emerges is clearly a kind of plain person's guide to the postwar world. Though not in itself a work of scholarship, this is a scholar's book. The central ideas are consistent and confidently grounded in his reading of history. If the style is somewhat homespun, that is because this is a work artfully designed to persuade. Here is Political Realism screening for General Exhibition.

Becker's audience is never in doubt: it is American and it is baffled. To worried WASPs, who in a time of doubt seek reassurance and might thereby be attracted to the heresies of idealist internationalism, he preaches a simple - but not always palatable - message. The future will be very much like the past. Americans, he thinks, should find reassurance and challenge enough in that.

Continuity between past and future is established by what Becker considers the driving forces of politics and economics in modern history. For him the driving force in politics is nationalism. The historically created nation-states are the form in which political power is manifested. Nationalist sentiment and the defence of state sovereignty represent the basis of the coalition against Hitler, whose nationalism is an aberration which it is the purpose of the war to destroy. The continuing force of nationalism will ensure a world of independent sovereign states; this force will be curbed only to the degree that such states take the rights and interests of other nations into account. Therein lies the special responsibility of the Great Powers, who will in the future - as in the past - hold the keys to international security.

Becker regards the economic future as governed by the same forces of technological change and capitalist expansion that have been at work since the
Industrial Revolution. Again, cooperation between the Great Powers will be crucial to bring the postwar political and economic settlements into line. In paragraphs that would not be out of place in Monthly Review, he shows that the requirements of capitalism's expansion produce the problem of imperialism in the 'backward countries'. The world can be made safe for capitalism, however, while less disadvantageous for the backward countries, if effective regulation of foreign investment, raw materials trade and similar issues can be achieved upon the initiative of the major powers.

Forty years on, would Carl Becker have been greatly surprised by the course of events?

In one important respect, the answer is clearly 'no'. The world continues to be a collection of sovereign states. As he predicted, we have witnessed neither a transformation to a single world state, nor a federal union of European powers on the model of the USA, nor even a simple hegemonic alliance of all the major powers. Becker put his money on sovereignty. Not only has sovereignty persisted as the organizing principle for the system of states, it has been a source of vitality for the state. [7] Thus far Becker's bet proves sound.

Nevertheless, the forms assumed by the contemporary sovereign state would have surprised Becker, as would the number that constitute the present world system of states. Each of these surprises stems from Becker's treatment of nationalism, which in one respect is too restricted while in another is simply exaggerated.

The potency of nationalism as a political force shaping the modern world cannot be doubted. Curiously for one placing such store by its influence, Becker is blind to its revolutionary potential in what would now be called the Third World. Indeed it is a possibility which he specifically rejects. For the Atlantic Charter to speak of the right to national self-determination is all very well, 'but when we say it are we really thinking of the people of Burma or the tribes of North Africa?' Not at all! What is meant are the historically created nation-states of European and
American experience. (Even the Dominions are admitted only as part of the 'British Commonwealth of Nations', which with some violence to language as well as law he treats as a single entity.) Restricting his definition of nationalism to a particular, albeit crucial, phase of European development permitted the assumption that 'backward countries' would continue to submit to European domination after the war. Hence the paradox of a vision of the future which places a premium upon nationalism yet fails to foresee the decolonisation process which was to mark the transition from empire to nation [8], and which produced a diplomatic revolution through numbers alone.

This much can be said in Becker's defence. He got his political predictions wrong at this point partly because he got his economic assessment correct. Becker understood that Britain, France and the Netherlands would regard their colonies as essential to postwar recovery. Since the health of the European powers was vital to the creation of a new and better world, he held that it would not be in the interest of the United States to deny their return to their imperial possessions, just as it was convenient to assume that the backward countries would not resist. In his own way, then, Becker was half right. For during the 1950s, as the decolonisation process quickened, the US Department of State was divided between those on the African and Asian desks pleading the conformity to American ideals of nationalist aspirations in the Third World, and those on the NATO desks pleading the case in America's interest of heeding the imperialist wishes of its closest military allies.

That dilemma in postwar US foreign policy stemmed directly from the imperatives of the bipolar conflict with the Soviet Union. The severity of that conflict is nowhere foreseen in Becker's book, chiefly because he assumes that Britain will retain great power status and that China may yet attain it. That assumption, though allowing for competition between the several major powers, could not anticipate the asperity of a system in which the essential contest was reduced to a duel between two rivals. (Nor was
Becker alone in this expectation: W.T.R. Fox's 1944 study of The Super-Powers, for example, is more systematically devoted to the prospects of a postwar balance to be achieved between the US, Britain, and the USSR.

Yet the potential for conflict between the US and the USSR is also underestimated in Becker's account because his emphasis on nationalism distorts his assessment of Soviet politics. For Becker, wartime cooperation with Stalin demonstrates that the national interests of the US and the USSR can be composed. That collaboration was possible, he believes, because in the stress of war traditional Russian nationalism had triumphed over the revolutionary pretensions and ideological character of the Soviet state. Becker fails to see that Stalin's wartime appeals to nationalism were temporary and instrumental; he mistakenly treats the expedient as if it were the essential. By exaggerating the influence of nationalism, Becker could restore Russia to the comity of European powers thereby reducing the degree of ideological difference within the international system and enhancing the prospects for great power cooperation.

The revolution in armed force that defines the strategic dimension of US-Soviet rivalry must also be reckoned among the surprises which history has presented to Becker's vision of the future. It is a greater surprise than Becker's historical sense and political realism warrant: his historical sense, because he regards technological change as the engine of modern economic history; and his political realism, because - despite his insistence upon power politics - he pays almost no attention to strategy. He therefore overlooks the consequences for military force of the technological changes that were revolutionising industry. Where Spykman had already grasped the geopolitical significance of the revolutions in air power and submarine warfare - and can therefore be regarded as poised to grasp the strategic consequences of the atomic revolution - Becker, for all his emphasis upon technology, is unprepared for the fundamental shock to his postwar hopes.
Except for the number of actors involved, the field of international organisation perhaps presents Becker with fewest surprises. The UN would almost certainly have dismayed him, but where its record has been successful one can discern influences or issues close to Becker's cautious prescriptions.[9] In suggesting that grand designs be discarded and that problems be dealt with concretely and incrementally he anticipates an approach familiar to us as functionalism. International organisation, in this view, could imperceptibly curb power politics. By such means the past could produce a new and better future. There is hope of progress, according to Becker, but it will be improvement unawares.

III

Like Carl Becker, E.H. Carr regards nationalism as a dynamic influence upon the modern world. Unlike Becker, however, he sees its effects as uniformly grievous. The totalitarian manifestations of nationalism in Hitler's Germany and Mussolini's Italy which Becker can dismiss as aberrant forms, Carr depicts as perfected instances of its inner logic. So far from building upon nationalism, a desirable future for Carr requires that some other basis for international order be found.

Carr's essay, Nationalism and After, is in two parts, with a brief but significant postscript. Part One, 'The Climax of Nationalism', is an historical survey designed to reveal changes in what is understood by 'nation' and 'nationalism', particularly in relation to international order. Carr's purpose here is to explain why nationalism of a certain kind could produce the catastrophe of World War II.

He distinguishes three periods in the development of modern nationalism, each marked by a distinctive economic philosophy as well as the inclusion of new social classes within the definition of 'the nation'. The first period extends from the collapse of the medieval order to the French Revolution and Napoleonic Wars. 'The nation' is at this time conventionally identified
with the sovereign. Thus international law develops as a law of and between sovereigns, while the dominant economic philosophy of mercantilism identifies the economic interest of the nation with the interest of its ruler.

Carr's second period, the 'most orderly and enviable' in international relations, is the century from the Congress of Vienna to the First World War. This is the era of bourgeois nationalism, with its characteristic economic doctrine of laissez-faire. Domestically and internationally, the force of nationalism is restrained: at home, by the need to maintain a middle class supremacy; abroad, by a notion of the harmony of interests between states sharing this principle of legitimacy. The apparent freedom in the political relations between nations is balanced by the invisible authority of Lombard Street in the management of a single world economy.

The years from Versailles to Munich, Carr's third period, witness the advent of 'socialised nationalism'. In these decades a new political and economic environment alters the significance of nationalism within and between states; the nineteenth century balance between nationalism and internationalism is overturned. In the modern mass state the political reference group for 'the nation' is extended to include all social classes, while the provision of social services marks an extension of nationalism into the economic order as states seek to protect the interests of their members. The single world economy of the laissez-faire period is replaced by a multiplicity of jealous national economies. Diplomatically, the Versailles settlement confirmed a trend visible since 1870 - an increase in the number of nation-states which in turn imposed new strains upon European order. In these conditions Carr discerns the seeds of totalitarianism. For him that catastrophe is exemplified in mass deportations of populations signifying the sacrifice of individuals to the idol of the nation.

The climax of nationalism, therefore, is totalitarianism and the Second World War - a loss of all the restraints which had hitherto encouraged inter-
nationalism and made a community of nations appear a workable system of international relations. In these circumstances, Carr thinks, a persistence of nationalism would lead to 'almost unqualified pessimism about the future of international relations'. His historical survey brings us to the contemporary crisis of 1945 and the search for new forms of organisation for world order which is his preoccupation in Part Two of the essay.

'The Prospects of Internationalism' offers us some densely-packed worrying-away at Carr's central problem. At the level of ideals, he argues, nationalism must be replaced by a commitment to individual human rights. 'The driving force behind any future international order', he writes, 'must be a belief, however expressed, in the value of individual human beings irrespective of national affinities or allegiance and in a common and mutual obligation to promote their well-being'.

But the author of The Twenty Years' Crisis could never be an easy convert to One-Worldism of the Wendell Willkie kind. Warning against the 'visionary solution of a supreme world directorate' he also insists that 'the plea for the emancipation of the individual must not be interpreted as a plea for a sentimental and empty universalism'. What Carr is seeking are intermediate units, politically and economically, that will permit a transition from nationalism to internationalism. Here he espouses a functionalism very close to that of Becker, whom he quotes approvingly on the desirability of an organic evolution of a world union through a diversity of loyalties and authorities.

Nor can so consistent a realist as Carr rest upon ideals alone. So from a search for values he turns to the question of power: what framework of power would permit the kind of moderate international system he has sketched? Can the prerogatives of might and the claims of self-determination be brought into balance? Though alive to the risks of a new imperialism, Carr explores the possibility of political and social groupings larger than the nation. (And in his terms the major postwar powers - the US, the
USSR, the British Commonwealth - are already multinational entities.) For small states it may be possible to provide security guarantees through international organisation and multinational forces; certainly there can be no return to the reliance upon collective security or unconditional neutrality that characterised their policies in the interwar years. But any military organisation to protect the weak will have to depend upon the strong. Cooperation among great powers can promote peace through international organisation; international organisation, he asserts, cannot prevent war between great powers.

Part Two concludes with the problem of purposeful change in international politics. To sketch the mechanics of a future order is insufficient; the principles and purposes that animate a system must also be addressed. 'Any international order which seeks to conjure the spectre of war and win the allegiance of mankind will have in future to set before it some higher ideal than orderly stagnation.'

Carr is too aware of differences between the major powers' conceptions of social values to believe that the achievement of common principles will be easy. Nevertheless, he considers that broad principles of social justice could command mutual respect. Freedom from want, equality of opportunity, and full employment can become global objectives: internationalism, like nationalism, can adopt a social dimension. In vastly different circumstances, something resembling the balanced order of the nineteenth century might be accomplished: an international structure of political security and economic welfare would be guaranteed by the policies and commitments of the great powers.

A brief postscript considers the problem of Britain's role in the postwar order. Carr presciently perceives that Britain's status as a great power is no longer assured. For Britain to become a secondary power would pose a 'fearful dilemma': 'it would have the choice of subordinating itself to the policy either of the Soviet Union or of the United States of America, or of attempting ... to play off the more powerful
units against one another - with inevitably disastrous results'.

That prospect, which was of course precisely de Gaulle's analysis of the postwar position facing France, Carr seeks to forestall by measures to bolster British power. The Commonwealth offers some opportunity to sustain a world role. Even more vital could be leadership of a more closely integrated Western Europe. In that way, the European civilisation that has suffered mortal damage in the catastrophe brought on by its nationalist contentions may yet survive to contribute to an internationalist future.

In scarcely any detail has the postwar period resembled the moderate international order for which Carr hoped. 'We shall not again see a Europe of twenty, and a world of more than sixty, "independent sovereign states" ...' is one of the few specific predictions ventured in Nationalism and After. So far from receding, the tide of nationalism spread further and in fuller flood, lifting to sovereign status a flotilla of former dependencies. Instead of a balance concerted between several major powers, the nuclear age contrived an adversary relationship between two superpowers, whose ideological antagonisms exacerbated their security anxieties. The 'fearful dilemma' of secondary power status has become the protracted curve of Britain's postwar experience. Everywhere, it seems, the brave hopes and modest plans of Carr's essay have been overtaken by events.

The fate suffered by his vision, however, need not detract from the value of Carr's work. For his questions were really much stronger and more interesting than his answers. The problems with which he wrestled have been enduring ones. Moreover, if one penetrates the superficial details of his imagined order, the elements with which he was working retain a surprising freshness. Thus, the issues canvassed in his account of the individual and the nation are remarkably close to the problems discussed in the international human rights debates of the last decade. Equally, it seems to me, Carr's
account of the global requirements for social justice presages the political programme associated with the third world's demands for a new international economic order. His belief that a workable international system would require some regional differentiation of groupings and agencies has been borne out in practice, just as international organisation has worked best in the ways he considered it most valuable. Forty years on, *Nationalism and After* may be wearing better than it appeared twenty years ago, when it was last reprinted.

IV

In their wartime contemplations of a postwar future both Becker and Carr concentrate upon three large problems: international security, economic issues, and nationalism. Their treatment of each of these topics prompts some concluding reflections.

Of all aspects of the last four decades, it is the realm of international security affairs that would probably most surprise, appall and perplex these two analysts. What I think they would find most difficult to explain is the apparent stability of the postwar international system. For surely this system infringes all of their assumptions about the requirements for peace. Given the levels of force available, the expenditure on arms and weapons research, the suspicions harboured and the opportunities for collision, these realists might wonder what has kept the planet together. The answer to that puzzle comes in two parts.

First, it has been possible to explain the stability of the postwar system within a framework still recognisably as Realist as Carr's exposition and Becker assumptions. To supply that explanation, however, required a more systemic account of structure and process in international relations than had been attempted previously. Many contributed to the task of elaborating a new level of analysis, but I regard it as Raymond Aron's achievement in *Peace and War* to have
integrated the revolutions in force and statecraft with the classical logic Carr had expounded in 1939.[10]

Secondly, Carr and Becker were typical of their time in the way they approached a design for future international security. The means by which they sought to ensure peace were governed by their beliefs about the causes of war. Since 1945, however, peace has been kept by palliative rather than preventive measures. Both practice and research have focussed primarily upon symptoms rather than upon causes. The key here, as Coral Bell continues to remind us, is crisis management.[11] Forty years on, however, not everyone is satisfied that the palliative techniques of crisis management and nuclear deterrence will suffice to keep the planet together. In many of the manifestoes of the peace movements of this decade one can discern a return to the preventive aspirations characteristic of the 1940s. Physicians who believe they know the seat of a malady cannot be expected to refrain from attempting a cure.

As the attention paid to such matters as full employment, international trade, foreign investment and exchange indicates, economic issues are prominent in both Becker's and Carr's surveys of international relations as well as on any list of the causes of war which either might devise. A strength in each of their analyses is the insistence that for the international political system and the international economic system to get out of kilter breeds trouble. Each of them took for granted that the domestic economic life of the major powers - and of sufficient smaller powers - is a key factor in international stability. In its preoccupation with the military aspects of international security, postwar Realism tended to neglect economic issues. Moreover, international economics - like strategic studies - has taken on an increasing specialism, with its distinctive vocabulary and techniques. Yet we are again sharply aware of the political consequences of economic dislocations.[12] There are encouraging signs that contemporary students of international relations are refusing to surrender either the economic or the strategic areas to
the specialists, whose occupation of these zones is undoubted but does not constitute an exclusive sovereignty. The discipline is recovering some of the breadth that characterises the earlier work in our field.

Finally, neither of these two historians of nationalism foresaw the forms nationalism would take after 1945. Each was led to ignore the premonitory evidence, the early stirring breezes of those later winds of change, because each defined nationalism within the confines of European and American experience. In the deficiencies of their accounts we may read a more general lesson: theories of a world system of international relations will have to be sensitive to a wider range of cultural and political assumptions than Western experience alone - even in all of its diversity - can provide.

Curiously, something of a national style may be detected in both Becker and Carr, especially in the way each uses the past for the construction of the future. Becker is no American Centurymonger, but he is surely typically American in his optimism. For him a return to the status quo ante is desirable: it offers the best road to a better world because for an American - at least for one without utopian illusions - the recent past has afforded moral and material satisfaction.

Carr's position is more troubled. In contrast to Becker's American optimism he presents us with European anxieties. For him the status quo ante has been annihilated by the cruelties exposed in totalitarianism and war. There is too much pain, too much danger in returning to old forms. The mental struggle in Carr's essay reflects his political perplexity: can a non-utopian future find new forms that will not revive the torments of the past?

V

Carr and Becker, like many others of their time, offer us a perspective upon the past four decades. The novelty of the contemporary international system
is revealed in those features that would have surprised them. However, this is not to argue that they can offer us much purchase on the postwar world. To explain the novel elements involves a distinct theoretical task, of which a glimpse at least may be caught in Carr's essay.

Nationalism and After can be read as reflecting a crisis in international theory as well as in world history. The author of The Twenty Years' Crisis recognises that the classical Realism of power politics offers no exit from the Hobbesian universe experienced as total war. In the second part of his essay, Carr is attempting to construct a moderate international system for the future. Unable to return to the facile Idealism he had so trenchantly demolished in his earlier work, he seeks what Stanley Hoffmann later called a 'relevant Utopia'[13], yet lacks the materials and vocabulary with which to move the classical tradition the next, necessary step. (Small wonder, perhaps, that Carr's remaining project should turn from theory to history - and that the monumental history of the superpower whose revolutionary distinctiveness presented the greatest obstacle to the moderate international system he had attempted to sketch.)

To the theorists of the future, then, these essayists of the past bequeathed at least two tasks: one immediate and particular, the other larger and more general. In a world that continued to conform to the Realist image of a state of war, driven by political passions and technological changes, and newly vulnerable to hideous levels of destruction, the regulation of weaponry and force became the most urgent intellectual task. The postwar literature on arms control and disarmament represents the scholarly attempt to grapple with that task. Elaborating the new conditions of force in international politics, although a perfectly Realist preoccupation, in turn posed a larger problem. Was it possible to move beyond the prison of pure power politics to the construction - mentally and politically - of a framework for order in a global system of international relations?
Many hands in many places have been turned to these tasks in all their manifold ramifications. With so many industrious weavers at the loom, it becomes difficult to keep track of the threads. Nevertheless, in the control of the arms race and in the study of order within the anarchical society of states we may recognise the two major projects of a single mind whose work, like Carr's, serves to define the central issues of his generation and to pose the deepest challenges to the next. [14]


7. J.D.B. Miller, 'Sovereignty as a Source of Vitality for the State', IPSA; World Congress of Political Science 1985.


9. See Chapter One, J.D.B. Miller, 'What Happened to the UN Family?'.


11. See Chapter Two, Coral Bell, 'How Have We Survived the Crises?'.


Introduction

It does not call for any great degree of astuteness to discern that Vietnam and Indonesia are radically different today. Indonesia has a bustling, rapidly growing economy which mixes together elements of planning, of government enterprise and intervention, and of private domestic and foreign capital; Vietnam has a crippled though expanding control economy which grudgingly accedes to certain entrepreneurial activities. Indonesia has some of Asia's wealthiest people and some scenes of sickening poverty; in Vietnam, austerity is almost universal. Indonesia's government is dominated by the military, with a showcase parliament safely controlled by a powerless government party; Vietnam is ruled by its communist party, though minor parties also exist. Indonesia is the sleeping giant of ASEAN and a vaguely pro-Western member of the non-aligned movement; Vietnam calls the shots in Indochina and is a trade and military partner of the Eastern bloc. Yet these two shared an experience only forty years ago when, as Japanese power collapsed in Southeast Asia in the long shadows of the mushroom clouds, they underwent social revolutions that bore remarkably much in common.

An explanation of how and why these nations have taken different paths in the years since August of 1945 would call for a complete retelling of their histories, not only of the past 40 years but over previous centuries of colonial and pre-colonial rule as well. Much, however, can be gained from an examination of the two revolutions as they occurred in 1945-46 and as they have been reinterpreted in the decades since then. Such an examination is the purpose of this paper, and the interpretations to be
analysed are of two kinds: general interpretations of the revolutions' courses and legacies, taken at decennial intervals (and thus, serendipitously, for the benchmark years of 1955, 1965, 1975, and 1985); and scholarly interpretations gleaned from the most influential studies in the decades between those years (i.e., 1945-1955; 1955-1965; 1965-1975; 1975-1985). In this way, it is possible both to see those revolutions change before one's eyes and to begin to realise that the answer to the question 'What became of those revolutions?' will always depend upon the time when it is asked and the attitudes of the answerer.

Towards Social Revolution

In her perspicacious study of social revolutions, Theda Skocpol does three things of elemental importance to those examining revolutionary situations. She clearly defines the phenomenon she was researching: 'rapid, basic transformations of a society's state and class structures ... accompanied and in part carried through by class-based revolts from below'.[1] She points out that, despite the claims of post-revolutionary leaders, social revolutions generally are not created by purposeful vanguards - they simply happen.[2] And she directs the attention of those who would study social revolutions to three key elements behind the outbreaks: structural changes in pre-revolutionary society; the international climate prevailing at the revolutionary moment critique; and the capacity of the existing state to defend itself.[3]

In Vietnam and in Indonesia in 1945, these three elements were favourable, the kind of revolution Skocpol had in mind did take place, and the roles of leadership in initiating and controlling the multi-level processes were probably not as clear-cut as the governments which rode to power on the revolutionary wave would in later years have it.

Structural changes were occurring in the colonial societies of French Indochina and the Dutch East Indies even before the twentieth century, but the policies pursued by authorities after 1900 greatly
accelerated those changes. The quickening pace of growth in industry, in mining, and in transport produced small but not insignificant urban-oriented proletariat in both colonies. The spread of export-directed plantations and processing factories gave hundreds of thousands of people the experience of working as wage laborers, at the direction of antagonistic management, often at great distances from their home villages. Peasant farmers, whether growing food crops or raising others directed at industrial use, came into ever closer contact with world markets and their uncertainties. And the administrative services of the colonial administration and of the large foreign firms, with their need for trained and literate staff, gave rise to a widening circle of educated people who worked as clerks, translators, and teachers. Despite the appearance of ossification in the colonies, where traditional elites seemed to be frozen safely in their positions as courtiers, aristocrats, or village officials, with the colonising foreigners grafted securely on top of them, changes of a basic kind had been taking place for decades before the Second World War.

In Southeast Asia, the international situation was highly propitious for revolution in mid-1945. The metropolitan countries, France and The Netherlands, had only recently been freed from German occupation, and much of their effort still had to be put into restoring domestic conditions. The powers which were prosecuting the final stages of the war against Japan were pursuing a strategy that not only avoided invasion of Vietnam and Indonesia but would also insure that large numbers of occupation forces would not be present in the area until some time after Japan's premature surrender. Of those troops designated to take over from the Japanese (British Empire forces in Indonesia and southern Vietnam; Nationalist Chinese in northern Vietnam), a preponderance were not likely to be overly hostile to anti-colonial activities. In the meantime, Japanese troops on the ground who were entrusted with maintaining local order felt no love for the victorious colonial powers and were far more interested in
securing their own lives than in crushing local movements. And the major world power, the United States, had no directed policy, only confused and conflicting sentiments, related to European colonies in Southeast Asia.[5].

If both the international situation and previous structural changes were conducive to a revolutionary situation, this was even more true of the position of the state in the two areas. In the fifteen years before the outbreak of war, both the French and the Dutch colonial governments had crushed communist-inspired revolts and had successfully tamed nationalist movements in the colonies. Their positions had probably never been so secure. The Japanese Occupation ended that. Japanese military forces moved into Indochina in 1940, but because of the Vichy connection they permitted the French to continue to administer the colony until March of 1945. In that month, the French were interned and sovereignty was formally turned over to Emperor Bao Dai, whose feeble government, like those earlier established by the Japanese in Burma and the Philippines, had no control over foreign policy and was dependent on Japanese muscle for its internal security.[6] In the Indonesian archipelago, the colonial defence forces capitulated with almost unseemly haste early in 1942, and, with the Dutch administrators behind barbed wire, Indonesian officials were granted job responsibilities previously denied them. Those responsibilities, however, were still strictly limited to the implementation of policy: the colony, divided into three separate zones, was under Japanese military administration. In both Vietnam and Indonesia, then, the Japanese put a formal end to colonial authority. But while local people were given important positions in the administrative apparatus thereafter, the new systems lacked musculature and a backbone of their own - they were dependent upon the exoskeleton of the Japanese military to give them form and keep them in place.

The elimination of the colonial states and their replacement by governments relying on the teetering
support of the Japanese completed the establishment of an auspicious pre-revolutionary situation in Vietnam and Indonesia. But key policies pursued in the final years of the war, and the immediate results of those policies, made social revolutions not only possible but imminent. Those policies concerned local-level administration and the supply of food, and the consequence of them was serious famine in northern Vietnam (Tonkin) and in Java in 1944-1945.

The French had begun in the 1920s to relax the criteria for membership in the elite groups of elders who supervised affairs in Tonkin villages. In 1941, however, this process was reversed, and membership on village councils again became restricted, this time to men with extremely high qualifications of education and experience and thus, for practical purposes, to the kind of people who had always been at the top of village hierarchies in the region.[7] As the crisis of war led the French and the Japanese to establish local granaries and to demand the transfer of underpriced rice to them, the village notables and lower-level bureaucrats found themselves in charge of a program draining food from village producers and consumers.[8] Likewise the Japanese in Java demanded that peasants hand over a high proportion of their food crops and entrusted the enforcement of that program, along with recruiting for the notorious romusha, or slave-labor brigades, to village heads and to Javanese officials.[9] The results in both places were predictable disasters. Bad weather in 1944-45 combined with transportation problems, the earlier depletion of stocks, and the continuation of forced deliveries to produce famines of great magnitude.[10] And thus just as the Japanese prop was being knocked out of its supporting position, local elites were seen to be presiding over programs that insured the deaths of their lower-class neighbors.

The Revolutions

Sukarno and Hatta's Proclamation of Independence preceded Ho Chi Minh's Declaration by slightly more
than two weeks, but the revolutionary process was actually considerably farther along in Vietnam in August of 1945 than it was in Indonesia. In both places, numerous signs of social uncertainty were evident in the months when the Japanese war effort began to collapse. Inflation was running wild, and corruption, bribery, black-marketing, and hoarding were common tactics among those capable of them. There had been a premonitory gesture in Blitar in East Java in February of 1945, when a unit of Javanese soldiers revolted against their Japanese superiors, partly because the troops were dismayed at the effects of the famine and of the romusha program which they had witnessed among the local populace. But despite rising tensions and the continuing toll of hardship, there was largely calm and control in Indonesia in mid-1945. The same could not be said for northern Vietnam. There the revolution had already begun.

As early as 1941, a national-front organisation, the Viet Minh, was founded at the inspiration of the Indochina Communist Party and began to stage propaganda and recruitment campaigns in rural areas in Vietnam. Its task was not eased by the combination of French and Japanese forces opposed to it, but its aim of Vietnamese independence achieved through cooperation with Japan's enemies gained it some wartime support in the countryside and in remote hill areas, particularly in Tonkin. By the spring of 1945, with both political cadres and armed units in its ranks, it was prepared for action. As the ravages of the famine cut into the villages, the Viet Minh helped to spark social unrest. In the months following the Japanese takeover, many granaries belonging to Vietnamese landlords or storehouses filled with rice intended for Japanese troops were broken into by crowds of peasants and their contents were distributed in the local area. At the same time, officials and village elites who attempted to continue to collect rice were seized and prevented from doing so. The Japanese put up little resistance to these actions, and their policy of keeping to the provincial towns rather than venturing
out in force was responsible for virtually turning entire provinces into safe areas for the Viet Minh. [13] Conditions were considerably different in the southern part of Vietnam, where a congeries of political and sectarian interests were striking their own deals with the Japanese[14], but in the North these assaults on established authority, these attacks on government officials, and the attempts to redress institutionalised wrongs in the guerrilla zones meant that the revolution was already underway by August of 1945.

The weeks surrounding Japan's unconditional surrender saw the independence forces in Indonesia and in Vietnam attempt to move with desperate speed along their separate paths to the freedom they had in mind for their nations. In Indonesia, the popular leaders were facing a difficult dilemma: they had been promised independence by the Japanese, whose forces were still stronger than any the Indonesians could muster; but any independence granted them by the Japanese was likely to be discarded by the Allies as a last-minute gift to collaborators. Under these circumstances, they could do little but follow the Japanese instructions as they trickled through obviously clogged command channels. On 7 August, the Indonesians were permitted to form a committee to prepare for independence, and on 8 August Sukarno and Hatta were called to a meeting with the Japanese military commander in Southeast Asia (ironically enough, the meeting was in Dalat in southern Vietnam). There they were told to get ready for independence on 24 August, but by the time they had returned to Indonesia on the 14th the plan was already out of date, for the surrender on the following day would mean that the Japanese had to maintain the status quo and thus renege on their promise. [15]

Finally, under pressure from non-collaborating nationalists and from militant youth groups and in the face of official Japanese resistance, Sukarno and Hatta proclaimed Indonesia's independence on 17 August.

In Vietnam, where the Viet Minh had opposed the Japanese and where Japanese ability to influence events was dwindling quickly, things took a different
The Viet Minh realised that, though their strength was centred on the countryside, the crucial settings in August were likely to be in the cities. Utilising all of their organising and mobilising capacities, and aided by the wish of masses of rural Vietnamese to be in on the great event, the Viet Minh managed to stage phenomenal parades into the cities of Hanoi and Hue.[16] There the local authorities were soon convinced that the Viet Minh were the wave of the future. This conviction was shared by the Emperor Bao Dai, who on 30 August abdicated his position in favor of the Democratic Republic which had been proclaimed at a small gathering in the North two weeks earlier. Buoyed by the abdication and by the mass ferment in the city of Hanoi, Ho Chi Minh at a huge public meeting in Hanoi declared Vietnam independent on the 2 September.

Though they had taken different roads to their new status, the Republic of Indonesia and the Democratic Republic of Vietnam faced remarkably similar problems in their first months of independence. Both had to try to find a modus vivendi with large contingents of Japanese soldiers, from whom they hoped to obtain not only complicity but also stores of arms. Both had to deal with growing numbers of Allied occupation troops who came in order to accept the Japanese surrender but who had difficulty defining their roles as interim military governments. Both had to handle the problem of humiliated colonist detainees as they emerged defiant from prison camps. Both had to face the charges and then the troops of the returning metropolitan powers. Both had to contend with distant regions where their control was tenuous or contested. And, by far the most difficult of all, both had to appear to be governing in an internationally acceptable manner while in areas under them there were occurring, with dismaying frequency, incidents of violence and irregularity understandably triggered by the advent of the new governments, incidents inevitably connected with revolution: seizure of hoarded clothing and food stocks; confiscation of private estates and large landholdings; amnesty for
certain kinds of prisoners; the beating, disgracing, even killing of those who had collaborated with or had moved to the top under the old regime.

The solutions adopted by the two governments in their attempts to handle those problems also bore a striking resemblance to each other. Both established representative legislative bodies and cabinet systems. Both opted for order over ardor, attempting to impose and maintain social harmony in preference to fanning revolutionary fervor; often enough, they found themselves quelling social violence and having to rescue offending functionaries of the old regime from the hands of irate peasants, laborers, or youth groups intent on harming them. Both governments managed to get onside with the Japanese for the most part and to extend their armories as a result. Both tried to avoid confrontations with the occupying Allied armies, and when those armies were drawn into battle (in Surabaya, in Bandung, and around Saigon, which were some distance from the capitals of the new governments and were controlled by highly nationalistic groups not susceptible to easy guidance from the center), the new governments took steps to extricate the Allies from the difficulties they faced. And both governments strove mightily, through diplomatic channels and through appeals to elemental human values, to reach compromises with the old colonial powers, indicating time and again their willingness to make deep political, social, and economic concessions if only the sovereignty they claimed by right of history and of popular support were acknowledged by the metropolitan states.

Through late 1945 and throughout 1946, the governments of Vietnam and Indonesia walked the shaky tightrope. In order to avoid outright war with France and The Netherlands, they permitted colonial military forces to return unopposed, colonial technical experts to resume work, and colonial economic interests to initiate the restoration of productivity. In order to maintain popular support, they abolished certain taxes, altered village governmental systems, and encouraged the formation of action groups. When
areas slipped out of their control or could not be brought within the bounds of administrative unity, such losses were accepted de facto, at least for the time being. These delicate balancing acts, however, could not last. Presenting a calm, judicious governmental visage while at the same time implementing the most pressing policies of change and soothing the tempers of those yearning for confrontation might have been enough to convince third parties that Vietnam and Indonesia were ready to join the family of nations, but neither the French nor the Dutch were mollified.

By the end of 1946, both revolutionary governments had been in power for sixteen months. During that time they had survived internal crises, had granted access to the workings of government to wide social groups who had previously been shut out, and had initiated a scale of services that was unthinkable under the colonial regimes. They had armed forces at their command and a large complement of trained and loyal public servants, including people with pre-war experience. In the same period, the position of the frozen traditional notables had been undermined, the tight control of peasant communities by village elites had been loosened, and the automatic precedence of urban over rural needs had been challenged. In brief, social revolutions had occurred. But that of course was cause not for colonialist rejoicing but for stronger colonialist action. By the early months of 1947, both revolutionary governments had vacated their capitals and both were at war with the old colonial powers. The social revolutions were over and the battles for their defense and their extensions to the entire countries had begun.

The First Images

By the end of 1949, the war in Indonesia was over. Discouraged by the continuation of guerilla warfare and pushed by their American allies, the Dutch signed over sovereignty in their former colony to a makeshift federal government which was soon swallowed by the Republic of Indonsia. The first full
academic handling of the subject emerged only two years thereafter, the work of a political scientist who had spent time in Indonesia, much of it with the embattled nationalists, as part of the field research for his doctoral dissertation. This book, George McT. Kahin's *Nationalism and Revolution in Indonesia* [17], was an almost ideal presentation, combining as it did minute details about the Republic's struggle against the Dutch with a broad sweep through Indonesian history. There was no doubt that Kahin, though he was cognisant of the problems facing the Dutch, was firmly on the side of the Indonesians in his treatment; his reading of the past convinced him of Indonesians' need and longing for independence, and he saw the Republican government in its fight with the Dutch as embodying the national drive for freedom and progress. The book itself in fact is centered around the Republican government, which was dominated by experienced and devoted pre-war nationalists: it is only a slight exaggeration to say that events, social forces, and opposition are largely seen through the government's eyes and considered to be pressures bearing on it or obstacles for it to overcome. Because of its detail and because of its sympathetic understanding of the difficulties faced by the nationalists as they attempted to pursue war and maintain order in Indonesia while pushing their cause diplomatically abroad, *Nationalism and Revolution* continues to serve, more than thirty years after its initial publication, as the finest introduction to the subject.

Ellen J. Hammer's *The Struggle for Indochina* [18], originally published in 1954, the same year as the Geneva Agreement which acknowledged Vietnamese sovereignty over northern Vietnam, is much the same kind of book as Kahin's, though perhaps less anti-colonial. It also attempted to bring in and connect all of the relevant facts and to keep the main events and developments flowing forward while relating the side issues to them. Like Kahin, Hammer was aware of the major currents in world politics at the time of the war she was attempting to describe and analyse, but like him as well, she insisted that what was occurring in
the region under study had to be seen largely in its own terms. Because she was more dependent upon French sources than Kahin was on Dutch sources, Hammer devoted more attention to an understanding of the colonial side of things than Kahin. For that reason, as the titles of the two works imply, her chief aim was the study of a struggle between two sides for political control of a region and its people, while Kahin's was to relate the story of an indigenous movement's struggle for success against hostile forces. Nonetheless, in their chronological approach, their interest in connecting history to recent events, their heavy concern with development at the governmental level, and their scholarly meticulousness, the two books have much in common.

1955

Ten years after their bold claims of independence, the two Southeast Asian governments born of revolution faced different problems.

In Vietnam, the communist party, which had melted from the scene in 1945 in order not to distract attention from the Viet Minh national front, had been reinstituted as the Worker's Party in 1951.[19] With attainment of independence in the North in 1954, the Party was secure in its control of the government, and it pushed for developments on two fronts: reunification of the entire country under the Democratic Republic of Vietnam, and the socialisation of the economic base, both agricultural and industrial, within the area already controlled by the Democratic Republic.[20] Difficulties, however, were beginning to loom up on both fronts. The truncated South, split off on a temporary basis at Geneva and due for an election in 1956 that, it was assumed, would assuredly reunite the country, had begun (with the assistance and encouragement of the US) to act like a separate state, had achieved international recognition, and had shown signs of pulling back from its commitment to a unification vote. In the North, a series of agrarian reforms which featured redistribution of land, heavy
rural taxation, and an eventual goal of collectivised agriculture had begun to run into serious opposition from peasants[21], while the issue of whether the industrial sector could reach its potential without infusion of foreign capital had still not been resolved. Political control by the revolutionary party, then, was assured in North Vietnam in 1955, but the attainment of the goals of the revolution and the implementation of revolutionary programs were highly problematical. It was, however, still very early days for the newly sovereign state.

The same could no longer be said for Indonesia. One of Indonesia's difficulties, it seemed in 1955, was that the country had not had a revolutionary party in control. Instead, it appeared to be suffering from a plethora of parties born during the revolution, parties whose separate clamorings had not been silenced by the inconclusive national elections held in 1955.[22] The problem of political cacophony was compounded by economic difficulties. The Round Table Agreement which had ended hostilities between the Dutch and the Indonesians had made the new state liable for massive debts incurred by the colonial government and had guaranteed the continued protection of Dutch economic interests in independent Indonesia. With the brief Korean War boom over and the economy showing signs not of growth but of stagnation, the privileged position of the Dutch was becoming not only a resented burden but also a reminder that sovereignty had been granted at a cost, a cost in economic terms and also a cost in territorial terms, for Dutch New Guinea had not been transferred to Indonesia in 1949 and Indonesian attempts to effect a transfer in the years thereafter had been fruitless.[23] Revolutionary Indonesia, then, appeared to be stalled in 1955, and the only promising glimmer came from the fact that President Sukarno was using the Asian-African Conference in Bandung as a springboard back into public consciousness after a decade of only sporadic appearances in the limelight.[24]
Historical Change

The first decade after 1945 had cast up, in the works of Kahin and Hammer, pace-setting academic studies which dealt for the most part with political elites and which saw the period of social revolution, if it was seen at all, only as another obstacle for purposeful political leaders to encounter. The same cannot be said for the most notable works to come out in the years between 1955 and 1965 on the two countries' struggles, the books by John Smail and Bernard Fall. These authors' approaches to their subjects, however, differed even more from each other than they did from the two earlier classics.

Smail, in his study Bandung in the Early Revolution, 1945-1946[25], put violence, turmoil, vengeance, and uncertainty—in short, social revolution—back into the Indonesian experience. The heroes of Kahin's book, the determined nationalist leaders in Jakarta and Yogyakarta, play no roles of importance in Smail's study of what occurred in and around a West Java city in the seven months following the Proclamation of Independence. Instead, the main parts are filled by armed youth groups who take advantage of the political chaos in the area to slay those Indonesians they deem anti-revolutionary, to drive out the pre-war indigenous elites, and eventually to bring a major part of the city down in flames as they depart in a Götterdämmerung scene. The Dutch, the villains at the national level, barely put in an appearance in Smail's Bandung—the enemy is, instead, the Japanese, the British, but especially, other Indonesians. By concentrating on the local level and by confining his study to the period of social revolution, Smail obviously could not cover everything, but the shift from Kahin's wide-angle vision to Smail's microscopic view obviously focussed attention on overlooked developments and brought up for study a revolution that appeared to be a different phenomenon altogether from the one studied at the national level.

Bernard Fall, a French ex-soldier who received academic training in the United States in the early
1950s, also shifted attention away from national-level politics in the ongoing Vietnamese war. But where Smail did this through a detailed study of intense social history in one locale, Fall accomplished it largely by looking at those who suffered, particularly in battle. In two books directly concerned with the French war and one centring on the continuing struggle between North Vietnam and South Vietnam[26], Fall concentrated on the question of why and how men had fought and were fighting on the opposing sides. This led him into a study of strategy and tactics, but it also forced him to explore the connection between politics and military motivation. Fall had no illusions that the Vietnamese communists were only idealistic agrarian reformers but he could see that being on the revolutionary side had given meaning to the sacrifices made by Viet Minh, North Vietnamese Army, and Viet Cong soldiers. Fall's despair at the seemingly unending war and his sympathy for the fighting men pervade these works, but his dismay at the waste of lives was tempered by his insight that at least the revolutionary soldiers had come to appreciate that their deaths were of significance beyond themselves and their families.

1965

1965 was a watershed year for both Indonesia and Vietnam. In Vietnam, indications that the unification forces would soon triumph and that the US-backed Republic of Vietnam was militarily doomed brought about the decision to commit American (and allied) combat troops to battle in the country. For the Democratic Republic, this meant setbacks on two fronts. The campaign to end the independent existence of South Vietnam would have to be extended and intensified. And the agricultural and industrial development in the North would be distorted both in order to support the renewed war effort and because of the effect of the aerial bombing to which the country would be subjected. Twenty years after the social revolution, Vietnam was once again being denied
the possibility of settling into post-revolutionary normalcy.

In contrast, the transition to post-revolutionary normalcy was being made possible in Indonesia in 1965, but the cost of that transition was high. For the previous seven years, an ebullient President Sukarno, having decided that his country's revolution had not been completed, had inspired enthusiasm among the population for a romantic return to the rails of the revolution. In its international outlook, the country had turned left, dropping out of such staid organisations as the United Nations and the International Olympic Committee, setting up replacement institutions for Third World countries only, and drifting through a period of good terms with the Soviet Union into a close relationship with the People's Republic of China. In its immediate region, Indonesia had gained western New Guinea after a strident diplomatic and military campaign and had then opposed, in international fora and with armed might, the decision to incorporate former British colonies in northern Borneo into the single state of Malaysia, along with peninsular Malaya and Singapore. And domestically, Sukarno had acted to make the Indonesian Communist Party an elemental organ of the body politic, had begun a socially explosive land-reform program, and had encouraged the nationalisation of various foreign holdings. But in 1965, the Indonesian Army, provoked beyond patience, began the process of physically eliminating the Communist Party, stripping Sukarno of his power, and restoring political quiet and economic stability. Sukarno may have seen the Indonesian Revolution as a continuing experience and have helped convince others that that was the case, but the Army in 1965 had proven that it had the capacity to enforce the idea that the Revolution had occurred once, years before.

Further Views of the Revolution

Smail in his study of Bandung during the social revolution had seen two key elements that Kahin had largely overlooked in his wider work on Indonesia's
struggle for freedom. Looking at local development, Smail discerned the importance of militant youth groups and had seen a tension between the Indonesian nationalist elite's policy of pursuing independence by governing effectively and attempting to win support for the Indonesian cause overseas (diplomasi, or diplomacy) and the wish of many Indonesians to seize independence, to effect change by armed might, and to dare any force to attempt to stop them (perjuangan, or struggle). In a seminal book on the Revolution [27], Benedict Anderson took these two ideas and applied them not just to Bandung but to all of Java and saw them not as largely unrelated to developments at the national level, as Smail had done, but as clues for helping to understand what was really happening up there. To Kahin, it was the leading nationalists who were intelligently presiding over change and prudently guiding the Indonesian government toward recognition of its right to sovereignty. To Anderson, it was the youth of Java who sparked revolutionary change and it was the older politicians who prevented the social revolution from reaching its potential.[28] Sutan Sjahrir, Indonesia's first Prime Minister and later a tireless advocate abroad of Indonesia's aspirations, had been an admirable figure in Kahin's book, steering Indonesia on a moderate course at a time when international and domestic storms were threatening. In Anderson's work, Sjahrir had become at best naive, at worst pernicious as he attempted to deal with the Dutch and keep himself in power, thereby weakening the thrust of the revolution and blocking the path to the top of the independent communist leader Tan Malaka, the one man capable of successfully harnessing the same power of the youth movement into institutions which could challenge for independence by way of perjuangan rather than diplomasi. For Kahin and for Smail, the early years of the Revolution had been, for different reasons, years of high drama, but for Anderson, they were tragic years, the tragedy of lost opportunity.

Culture was a crucial element in Anderson's book as he explained how youths could under certain
circumstances take the lead in a society that was normally oriented toward age and experience. Culture also was crucial in the most influential books to come out between 1965 and 1975 on the Vietnamese Revolution. These were Frances FitzGerald's *Fire in the Lake* and John McAlister and Paul Mus' *The Vietnamese and Their Revolution*. [29] Mus was a famous French scholar, noted for his deep knowledge of Vietnamese society and custom and his flashing insights that enabled him to make subtle connections between events and ideas. *The Vietnamese and Their Revolution* was a translated and reworked version of an earlier book by Mus which had gained a reputation for the brilliance of its ideas and the impenetrability of its (French) style. [30] Mus was by profession a sociologist, and thus interested in Vietnam's past for the lessons he could learn there. The chief lesson he learned with regard to the revolution in that country was that in the minds of Vietnamese, both educated and uneducated, fate had dictated in 1945 a transfer, into the hands of the revolutionary side, of the right to rule the country: in accordance with an understanding embedded deep within Vietnamese culture, the Mandate of Heaven, which had in earlier centuries passed from a failing imperial dynasty to an up-and-coming dynasty, had been withdrawn from the Franco-Japanese system and from the Emperor Bao Dai and been given to the Viet Minh. Whether this was the actual interpretation of events or only symbolic of popular understanding was immaterial: the Vietnamese people had almost collectively and almost simultaneously changed their minds; where early in 1945 it was accepted that the French were going to govern Indochina, by August of that year almost everyone knew that the Viet Minh would rule, and no power on earth was going to shake that conviction or prevent that end from being reached. FitzGerald popularised and extended this view, explaining to Americans that Vietnamese culture was different from theirs, that they had never understood either what was happening in Vietnam or the implications of their actions there,
and that they were still uselessly fighting a war that had, literally, been over long before it had started.

1975

1965 had seen the Vietnamese forced to redouble their efforts if they were to secure their revolution, while in that same year the Indonesians, because of the power of their army, turned away from the idea of a continuing revolution. In 1975, it looked as though the rewards were going to go to those who had stayed the whole route.

In Vietnam, the Saigon government's army collapsed, and the way lay open at last for a unified socialist nation. There were undoubtedly problems confronting that nation: in the South, over a million men had been either soldiers or police under the old government, and their loyalty and cooperation could not immediately be counted on; in both North and South, millions of others had had their minds, their bodies, their lives twisted by war, and these victims were going to need special assistance; the productive capacities of the two regions had for two decades been oriented toward war; and the United States, seriously displeased at the turn events had taken, could not be relied upon either to provide promised reconstruction assistance or to permit the trade and investment Vietnam was going to need. But there were still solid grounds for optimism. The party, in 1976 renamed as the Viet Nam Communist Party once again, could command the full devotion of experienced cadres, accustomed to sacrifices, in all corners of the country. The natural complementarity of the agricultural South and the more industry-oriented North had the potential to benefit both regions. Educational and technical skills were advanced in both North and South. And Vietnam had, with the successful completion of communist takeovers in Cambodia and Laos, joined a small, select club of states all of whose neighbours were socialist countries. The prospects in 1975, then, for the first time since the Declaration of Independence, looked favorable for Vietnam. The
successful attainment of the old revolutionary goals seemed only a matter of hard work, and for three decades the Vietnamese communists had displayed their capacity for hard work.

The outlook was far gloomier in Indonesia. The military, in power, had arrogated the revolution to itself, coming to see that in the darkest hours of the struggle the civilian government had caved in, leaving the army to carry on alone; the period between 1945 and 1949, in fact, had even ceased to be termed the Revolution and had metamorphosed into the War of Independence. This view of the revolution had in turn strengthened the military's view of itself as an institution with a dual function, called upon not only to provide security for the nation against possible threats but also to play an active political role in shaping the future of Indonesia. But in 1975, the military's success at the political role seemed rather limited. The previous year, inspired by intrigues internal to the military, students had rioted in the capital, smashing and burning Japanese-made cars in protest against what they saw as the results of the foreign-trade-and-foreign-investment strategy of the government: unequal distribution of wealth; domination of the economy by foreign interests; and an eternal position of dependence for Indonesia, one where it would always export cheap raw materials and import expensive finished products. That resentment still smoldered in 1975, but two events in that year even further undermined any faith that the military government might have an idea of where it was heading. The first of these was the Pertamina scandal, when the state oil company, controlled and run by a flamboyant general on good terms with the top military leadership, managed right after the oil boom to combine over-extension with poor business practices and run up unpayable debts of some $8 billion. The second was the invasion of East Timor, which started off with an almost farcical military fiasco, proved to be an intractable anti-guerrilla campaign, and caused Indonesia no end of grief internationally, both among Third World states and among Western powers kindly
disposed towards her. If the military, after ten years in power, could not run an oil company at a profit at a time of soaring fuel prices or plan a military campaign against an isolated, untrained, ragtag army that would not seriously damage Indonesia's international reputation, what chance did it have of meeting the myriad difficulties the next decade was sure to hold in store?

Further Histories

By 1975, the tumultuous months surrounding the Japanese surrender thirty years before had retreated safely into the territory of history. It should come as no surprise, then, that the most useful books produced between 1975 and 1985 on the revolutions in Vietnam and Indonesia were the work of historians, and that their perspectives differ from those of the earlier writers.

Alexander Woodside is one of the outstanding historians of modern Vietnam, and his book on the revolution there[31], unlike the books on Vietnam mentioned above, is firmly anchored in Vietnamese-language sources and informed by a deep knowledge of developments in that country over the past two centuries. Woodside's thesis is that, under the impact of forced change over an extended period, the sense of community was breaking down at all levels of Vietnamese society in the decades before World War II and that it was the Communists who were able to create the new institutions, provide the new goals and strategies, and arouse the new spirit around which a renewed sense of community would coalesce. The book is well thought-out and well argued, but what makes it distinctive here is that the Revolution comes not at the beginning in the rush on into the war, but almost at the end of the book - the culmination of long-term developments rather than simply the dawn of a new day.

A similar historical perspective is maintained by three recent works on the Indonesian Revolution, works that can be described as coming, literally, from
the same School: Anthony Reid's *Blood of the People*,
Anton Lucas's 'The Bamboo Spear Pierces the Payung',
and Soeyatno Kartodirdjo's 'Revolution in Surakarta'.[32] These share a common approach with
the earlier historical work by Smail, relying heavily,
as they do, on interviews as well as contemporary
publications for their sources and stressing the
social-revolution side of things. In the areas covered —
Aceh and East Sumatra by Reid; Tegal, Brebes, and
Pemalang in northern Java by Lucas; and Surakarta by
Soeyatno — the tensions underlying social unrest
sprang from widely disparate sentiments and those who
pushed the social revolutions on included such diverse
types as Islamic leaders, local thugs, disgruntled
minorities, and old Communist Party remnants, as well
as armed youth groups. A notable feature of these
works, in addition to their grounding in the economic
and social histories of their areas before the
revolutions occurred there, is their concern with
relating local events to wider issues, with Reid
comparing northern Sumatra with its social revolutions
to the Malay states on the Peninsula which did not
experience such revolutions and with both Lucas and
Soeyatno taking efforts to tie in their local findings to
what was happening at the national-government level.

1985

The last ten years have seen a reversal in the
fortunes of Vietnam and Indonesia in a way that was
unforeseeable in 1975.

Indonesia's government, despite the uniformed
background of the people who run it, has done two
rather startling things. It has kept military
expenditures and the size of the military establishment
low. And it has continued, even through periods of
economic stringency when glamor projects were being
postponed, to subsidise agriculture and to expand the
education system. The results of these policies are
clear. The military, partly because of its low profile,
seems to be less resented than it has been for fifteen
years. Rice production has expanded consistently, to
the point where Indonesia, for years the world's largest importer of rice, is now a net exporter of that product. And those entering the Indonesian workforce each year are better educated and more mobile than ever, and thus able, despite their increasing numbers, to continue to find employment. Through a number of other economic policies - pursuing programs that support industrial growth and provide credit; assiduously holding inflation in check - and through numerous social programs as well - health care, family planning, rural electrification, urban housing and clean water - the government is giving strong indications that it has learned from experience and now knows what it is doing in the economic and social field. In politics, the government's reviews would, at best, be mixed: it seems to be permitting more criticism than it has in the past; it is allowing the gradual establishment of an element of civilian independence in the state party, Golkar; and it appears confident in the appeal and effectiveness of the state ideology, Panca Sila. But it is still paranoid in its attitude toward, and hostile in its handling of, organised Islam; it is still conducting a campaign of terror killings directed against suspected criminals; and it still employs harsh surveillance and bully-boy tactics against those thought to have leftist links or leanings. In society, there is an extremely wide spectrum in status, prestige, and wealth, but in all of these respects farmers and laborers are far better off than they have ever been; in addition, there is now a large and growing middle class, and entrance into it is fairly easy. Internationally, Indonesia is in a far better position than it was ten years ago, on firmly-established good terms with both the West and the Third World; this is due in no small part to Indonesia's deepening, though still moderate, diplomatic skills. Overall, it is difficult to deny that the decade 1975-1985 has brought progress for Indonesia and for most Indonesians.

The story is not as happy for Vietnam. The 1978-79 wars with socialist neighbours Kampuchea and China, and the ensuing five years of tension and
intermittent fighting, have hurt the country on a number of fronts. Militarily, Vietnam has been unable to reduce the size of her armed forces to moderate levels, and those forces continue to make high demands both on trained manpower and on such foreign goods as do flow into the country. Diplomatically and economically, the Vietnamese have in the wake of their wars been unable to reestablish ties with the United States and have in addition found themselves cut off from many countries which formerly supplied them with various forms of assistance. This in turn has caused problems with trade and investments that have hindered the growth of industrial production which the Vietnamese leadership desires. The resultant economic strains, along with political and international factors, have caused over one million Vietnamese citizens to turn their backs on their homeland and to flee abroad, and there are said to be another million attempting to leave as well. Internationally, the Vietnamese have been able to compensate in part for their difficulties by deepening their reliance on the support of the Soviet bloc, a reliance already established before the most recent wars. But on the domestic front, straitened economic circumstances and the task of trying to incorporate the South into a unified state much like that which had earlier been operating in North Vietnam have posed a new set of difficulties. The drift toward socialism in agriculture, which in Vietnam has largely been synonymous with collectivisation, has continued apace as more land and farmers are channelled into the larger productive entities; but this drive has been tempered by an increasing display of tolerance toward the existence of individual efforts on small plots, even for collectivised farmers, because of the need for the additional food which such efforts can produce. This rural compromise between socialism and individualism has been mirrored in the large cities, where the presence of black markets and small-scale private enterprises is openly accepted, in contradiction to official directives, because illegal dealings are needed, at least temporarily, if the economy is to continue to function.
But the danger exists that this willingness to bend the rules, taken together with the money flowing illicitly through government channels as a result of the bribes collected from those trying to flee Vietnam, will undermine the morale and the sense of purpose of the all-important cadres at middle and lower levels, and indeed rumours already circulate that youths are joining the Communist Party, and older members are still clinging to it, not out of any conviction but merely because the Party represents an effective channel for upward social mobility within the country. This, if true, presents a serious danger: for forty years there has been a strong identification of Party and revolution in Vietnam, and if the festering idea that 'we won the war but we're losing the peace' spreads from the economic scene to infect political thinking within the Party, then the ideas and ideals that have defined the Vietnamese revolution and sustained it will have been betrayed.

Conclusions

Four decades ago, social revolutions occurred in Vietnam and in Indonesia. In the years since, the nature of those revolutions has appeared to change as influential scholars have examined different aspects of those revolutions, and the histories of the post-revolutionary societies have changed as the past came to be filtered through an evolving present. In 1955, Vietnam appeared to be capable of carrying through with its revolutionary legacy, though problems were already emerging; in 1965, it was facing a new and more difficult American challenge if the revolution were to be consolidated; in 1975, with unity achieved, the road to revolutionary success looked to be an easy one, running downhill all the way; and in 1985, it appears that the essence of revolution in the country might be endangered. Indonesia in 1955 had already begun a post-revolutionary letdown; in 1965, her attempt to undergo a continuing revolution was brought to a painful halt; in 1975, it looked as though Indonesia had never had a revolution and could
probably do with one; and in 1985, Indonesia appears to be a successful society whose revolutionary experience has been useful to her but is behind her now. Over the same periods, scholars of the Indonesian and Vietnamese revolutions have changed in their focus, moving from a concern with almost-ordered politics at the national level to the far more chaotic world of unchained forces below, and shifting from seeing the period of social revolution almost exclusively as the beginning of a new era to seeing it more in the context of longer historical processes.

These interesting alterations both in the way that scholars have understood the Vietnamese and Indonesian revolutions and in the way that more general understandings of the countries' modern histories have shifted with the changing times can be connected, but the connection is not a particularly flattering one to scholars. Of the writers treated above, probably only George Kahin, with his view of the revolution as the trial of a fairly orderly, united, courageous, and well-led nationalist movement, had any effect on the general view of Indonesia and the future course of her history. And only Bernard Fall, looking at the military side of things, had any influence in shaping the more general way in which Vietnam was understood (and that influence was almost directly contrary to Fall's intentions: instead of getting his messages about revolutionary motivation, decision-makers in America who tried to understand Fall simply figured that they had to be able to do things better than the French had done them earlier). For the other authors, the flow of influence went in the other direction, with the periods in which they did their research and their writing having a strong effect on the way in which they looked at and understood social revolutions, rather than having their ideas about those social revolutions cause changes in general views of Vietnam or Indonesia or in the course of events in those places. This is not surprising, for it is in fact the way of history that the Zeitgeist and the conditions prevailing at the time when the past is being written about play a crucial part in determining
what is to be written. This, however, should warn those who feel that the stories of the two nations over the past four decades vindicate the system in one country and condemn that of the other. For if anything is clear about these two countries, it is that changes will continue in them, and that the results of those changes will help to determine what will be thought of them and of their revolutions. Forty years after, the final word has not been written.
Notes

1. Theda Skocpol, States and Social Revolutions: A Comparative Analysis of France, Russia, and China, Cambridge: Cambridge University Press, 1979, p.4.

2. Ibid., p.17, p.291.

3. Ibid., pp.14-33.


6. Bao Dai's control over Cochin China (roughly the southern third of Vietnam) was not granted until 8 August 1945. By that time, his government had already proven its incapacity to maintain order in Tonkin (Northern Vietnam) and in Annan (Central Vietnam). See Donald Lancaster, The Emancipation of French Indo-China, London: Oxford University Press, 1961, pp.106-108.

8. Ibid., pp.158-159.


10. According to the French the famine claimed 400,000 lives in Tonkin, while Vietnamese sources place deaths at 2 million; see David J. Steinberg, et al., *In Search of Southeast Asia; A Modern History*, New York: Praeger, 1971, p.357. A measure of the famine toll in Java is more difficult to obtain; most sources simply note that deaths were outstripping births in the last year of the war.


16. Woodside, *op. cit.*, p.230, notes that the city of Hue, with a population of some 50,00, had 150,000 people march on it.


23. For these difficulties, see Leslie Palmier, Indonesia and the Dutch, London: Oxford University Press, 1962.


Dien Bien Phu was first published in 1966, but the research and writing was largely done during the 1955-1965 period being considered here.


In August we will see the fortieth anniversary of the defeat of Japan, an event unlikely to be wildly celebrated in many quarters. Washington will prefer to let it pass unnoticed, perhaps fearing another Bitburg, while Beijing will probably note the occasion but not in a way likely to unduly upset Japanese sensibilities. It will not be marked with a statement at all like that issued by Lin Biao on the occasion of the twentieth anniversary, the ringing declaration, "Long Live the Victory of People's War!". But this does not preclude our speculation on the event and what has passed since then.

The United States greeted the end of the Pacific War with great relief but also with optimism. Demobilization proceeded with indecent haste, not simply out of weariness with the war, but because the German and Japanese ambitions had been thwarted and could not be rekindled for several decades. The somewhat unwilling role of policeman could be relinquished in consequence and it was believed that subsequent threats to the peace could be handled by others as soon as the Allies recovered from the war. A prominent role for China as the centre of an Asian security system had been planned by Roosevelt, who was impressed by the fiery Generalissimo Chiang Kai Shek and found him for the most part a handy counterweight to both Stalin and Churchill in the Big Five councils. Chiang was anti-Soviet much of the time, despite his own associations with Moscow, and was staunchly anti­imperialist. He had eloquently set out his plans for the future and his analysis of the past wrongs done to his nation in China's Destiny, a work which strengthened his credentials as the logical counter to a resurgent Japan. Truman's accession to the White House modified the U.S. position on the former empires of Europe but Chiang continued to receive support as his anti-Soviet stance came to be appreciated more. Only gradually did dissenting voices from within the State Department draw attention to the inefficiency, corruption and repression of the KMT regime and undermine its position. In 1945 Chiang stood side by side with the other leaders in victory and few gave thought to the fact that one quarter of China and over one hundred millions of her people were under the control of a peasant army under Mao Zedong and Zhu De.

Within five years the course of events in China had rendered the assumptions of U.S. policy in Asia invalid and Stalin was also forced to make a reappraisal, although a more palatable one in his case. The State Department attempted to adjust to the situation after forecasting the victory of the Chinese Communist Party by suggesting that Mao Zedong's movement was essentially a nationalist one and that it would follow an independent course, rather in the manner of Josip Broz Tito. An analysis of the history of the Party threw up ample examples of clashes between Mao's group and Stalin in which Moscow sought to impose its will on the Chinese comrades in the interests of the security of the
Soviet state rather than the success of the Chinese revolution. It was argued that these clashes, together with national feelings of resentment at Soviet domination of Mongolia and attempts to win Xinjiang (Sinkiang) away from China, would force Mao into an anti-Soviet position and there was optimistic talk of a "Mao Tse-Tito." This bet was hedged and it was asserted in some circles that should Mao not follow the nationalist road, then the Chinese people would reject him in favour of another nationalist movement. Comforting though this scenario might have appeared to an Administration being blamed for having "lost China", it fared no better than the earlier hope that history lay with the KMT and Chiang Kai Shek.

There was some evidence to suggest that Stalin entertained a very similar view of China in 1945. He later confessed to Tito that he gave the Chinese Communist Party little chance of success and this was recognised by several Chinese leaders, Mao having said that to have followed Soviet advice would have left his forces in the mountains for years. Stalin may have preferred a stable and united China on his long and exposed southeastern flank rather than a China rent by civil war and divided in a manner that could invite foreign intervention. He signed an aid agreement with Chiang Kai Shek and openly supported him almost to the end so that it was the Soviet ambassador who was amongst the last to desert in 1949. On the other hand, while the Soviet looting of the industrial equipment installed by the Japanese in Manchuria might have been regarded as reparations, a different interpretation must be placed on the assistance provided to Lin Biao's forces when Soviet troops accepted the Japanese surrender in North China. This, and the close interest in and contact with these forces indicates that at best Stalin was keeping his options open and was certainly not above taking steps to ensure a continuing influence in Northeast China.

The victory of Mao's forces and the establishment of the Chinese People's Republic in October 1949 was generally held to mark the failure of U.S. policy but there was a remote possibility that Washington might have been able to establish civil if not friendly relations with the new government. The communist forces had regarded the liberal press in America favourably when it reported the darker side of Kuomintang rule and it seems likely that elements within the leadership regretted the hostility that subsequently developed. On the other hand, Mao had asserted very strongly that China must "lean to one side", the Chinese attacks on the Atlantic Pact had been particularly virulent and it was Liu Shaoqi who had penned the savage critique of Tito's independent course in the polemic, On Nationalism and Internationalism. Soviet assistance to the People's Liberation Army in the north was not great, but when seen in the context of Soviet actions in Eastern Europe, Turkey, Greece and Azerbaijan, the Washington interpretation of events in China is at least understandable. As it was, the outbreak of the war in Korea in June 1950 and China's reluctant entry late in the same year served to freeze relations for the next twenty years. A bitter and divided Democrat administration gave way to one which adopted a view of the Chinese People's Republic as an evil but temporary phenomenon which should be encircled and isolated until it gave
China effectively ended the prospect that she might follow the way to internal pressures and collapsed.

The policy of quarantine rather than mere containment of China effectively ended the prospect that she might follow anything but a Stalinist course. The next seven years saw the installation of many features of Soviet rule and the development strategy pursued owed much to that of the 1928 Five Year Plan period. Soviet aid, while not particularly generous, was crucial in launching large development projects, and Soviet technical assistance in providing advisors, on-the-job training and specialized education for Chinese in Soviet institutes all provided substance to the Sino-Soviet Alliance. These aspects of the relationship survived until 1960, when breakdowns in other areas led to the withdrawal what remained of Soviet aid, but a significant legacy was left. Thousands of younger Chinese learnt Russian as a second language and Soviet methods of management, scientific work and economic organisation. This group, which includes some of the upper leadership today, constituted a potential source of opposition to the anti-Soviet policies of the latter 1960s decade and, given the positions some of them now hold in scientific and academic institutions, may provide a base for criticism of current policies.

Chairman Mao Zedong's rejection of the Soviet model as being inappropriate for China was only partial. Kang Sheng's 1954 critique of the machine tractor station system in the Soviet Union and of the way the peasants were alienated from modern technology was never implemented in policy terms. As Bernstein has shown, most aspects of that model were left untouched.[2] The economic development strategy of the Great Leap Forward in 1958 was brought about more through necessity than intellectual dissatisfaction with Stalin-type concentration on heavy industry financed by extracting a surplus from an impoverished peasantry. The Second Five Year Plan [1958-62] was predicated on the same set of assumptions as the Soviet designed First FYP, and it was only when there was a drastic shortfall in Soviet aid after 1956 that an alternative emerged. It owed something to Mao's speech of April 1956, On the Ten Great Relationships, but that piece is so vague that it has also been cited to provide legitimacy to a very different set of economic policies implemented since Mao's death.

Mao certainly questioned the model's concentration on heavy industry, calling for a dynamic relationship between heavy and light industry and the agricultural sector, but even during the Great Leap phase heavy industry continued to receive substantial investment and this pattern has been maintained unchallenged until recently. Even now, with Chinese economists and political leaders expressing concern at the very high level of investment against consumption, measures to scale down the heavy industry sector have not been effective. Stalin's legacy in the field of economic development has been a significant one but it is matched in the political field.

Social and political control in China remain in the hands of the Party and the public security forces and that hold has seldom been shaken. Having adopted the standard vanguard-type model for the Party and never questioning the holy writ of Lenin, the outcome was much as it has been in other societies to follow that course. The confusing statement and its partial retraction last
December that Leninism was not able to answer all of China's current problems stands as the exception in what is still a Leninist party. Some themes in the rhetoric of the Cultural Revolution certainly did promise a different allocation and distribution of power in China once the "capitalist roaders" had been removed, but this too proved a false hope. Mao's attack on the Party as such and the bureaucrats controlling it was prompted by his own frustration at finding it no longer responsive to his command nor sympathetic to his policy line. Nevertheless, public calls to "Bombard the Party Headquarters" and to rebel were sufficiently novel to cause comment abroad and to stimulate the CPSU writing groups into preparing refutations of such heresy.

Today, the leading role of the Party has been restored and its support is one of the "four upholds" which set the parameters for legitimate public criticism and debate. Of course, it has not been possible to completely restore the prestige and authority of the Party after the events of the Cultural Revolution decade and this has been reported to be affecting morale amongst the cadres at a time when their ranks are again being purged, this time to rid them of some who joined after 1966 and have failed to appreciate the full impact of the changes since Deng Xiaoping ceased to be "that other top Party person in authority taking the capitalist road."

These, then, are some of the constants of the last 36 rather than 40 years in China. There are others but of greater interest are the dramatic changes that have taken place. To return to the situation that existed in 1950, China was seen as a dangerous and irresponsible element in Asian affairs, fomenting trouble in the region through support for insurgency movements in Vietnam, Burma, the Philippines and Malaya. Control was widely thought to be exercised from Moscow and other writers, notably Lord Lindsay of Birker, who saw through this myth, nevertheless suggested that the ideological constraints of their Marxist-Leninist world view would prevent the Chinese Communist Party leadership from correctly perceiving and thus following the real interests of the nation. No matter that examples of this blindness could not be found, this interpretation of China enjoyed currency for many years.[3.] While it is certainly the case that the conduct of China's foreign policy sometimes was brash or harsh, experience proved a good teacher and China's interests were generally keenly perceived and pursued. The changes that have taken place in some of those policies are not, as they are sometimes portrayed, the outcome of maturity and an improved understanding of the ways of the world. Instead, they are more often the result of profound shifts in the international environment itself to which China has to respond in order to protect her territory and interests.

China's early support for movements of national liberation in Asia coincided with Soviet policies of the day and there was little evidence that the Chinese leaders thought otherwise during Stalin's lifetime. Even so, strong vocal support for the M.C.P. in Malaya waned as the prospects for successful revolution there collapsed in 1951 and by 1953 China was seeking a more productive approach to the nations of the region. In his dealings with India in April of 1954 and then at the Geneva meetings, Foreign Minister Zhou Enlai laid the foundations for an array of policies better designed to protect China in the region and combat the threatened encirclement by the United States. The policies of the
Bandung phase were also consonant with domestic development during the First FYP but gave way to a different approach in the later years of the decade. Subsequent shifts have taken place for the same generally rational set of criteria. Nationalism and the sense of being the government of China does at times place constraints on policy, aspects of the Hong Kong negotiations being only the most recent example. So, too, does the question of Chinese ethnicity, despite protestations to the contrary and the injunctions issued to Overseas Chinese to adopt the nationality of their country of residence. During the Cultural Revolution the Commission for Overseas Chinese Affairs and Liao Chengzhi came under attack for failing to protect Chinese abroad against persecution and discrimination, and in 1978 two ships were sent to Vietnam to repatriate those of Chinese ethnic origin wishing to leave, even if they held Vietnamese citizenship.

Another occasional distortion of policy stems from the ideology and China's commitment to the revolutionary idea. Standing in the way of better relations with Southeast Asia is China's refusal to disown completely those revolutionary movements in Asia which are of concern to the governments of those countries in which they operate. At the level of state relations it is denied that there are any links with China but the fiction is maintained that the Chinese Communist Party is a quite separate institution and may have such links, but it is not the role nor the right of government to interfere in such matters. Not surprisingly, the Southeast Asian leaderships fail to take the distinction at all seriously.

Should we conclude, therefore, along with the Albanians, that the revolution has been betrayed by China's leaders and is now conducted according to the dictates of opportunism and an unprincipled, non-Marxist rule of thumb that one's enemies' enemies are one's friends? The problem with that proposition lies in the inbuilt assumption that China's foreign policy was at one point based on Marxist-Leninist principles, whereas I have attempted to indicate above that it has been shaped by a range of considerations from the outset. The quest for legitimacy as a government and for the United Nations seat which would have meant international acceptance propelled China into non-revolutionary diplomacy from the moment of victory. As time has passed, the web of relationships has grown and itself imposes rigidity and inertia in some areas of foreign policy. While it was possible to alter direction towards the US in 1971, this involved considerable adjustments in other areas which took time to arrange. The 1971 initiative was accomplished only after traumatic internal struggles, culminating in the removal of Mao's chosen successor, Lin Biao, and a power struggle involving the Shanghai group which was not resolved until Mao died five years later. But the change was effected without popular consultation or even much effort to re-educate public opinion on the suddenly altered nature of US imperialism. Major changes in the future may not be as easy if we are right in seeing in China a higher level and different type of politicization forming part of the modernization process. It is not argued that China is moving rapidly towards a democratic form of rule, but this does not preclude the emergence of some degree of responsive policy making in the future.
The suggestion that in the foreign policy area China has moved in a full circle since 1945 demands closer examination. It is now the case that from the vantage point of Washington there are similarities to the situation forty years ago. Sino-US relations are friendly, although marked by differences which sometimes colour the friendship. In 1985 the issues are Taiwan, trade access to the US market and the provision of technology. National prestige is also an issue, as with the defection of Hu Na and a very much larger number of other visitors and students. China and the US share a view of the Soviet Union as a major global threat, although there is currently divergence rather than convergence on this point. Whereas in 1979-80 there was almost an identity of views, by 1985 China is less concerned about Soviet expansionism on the grounds that domestic economic problems and the drain on resources represented by the military effort in Afghanistan and Vietnam severely limit their capacity to act similarly elsewhere. In 1979 Deng Xiaoping had spoken of common ground between Beijing and Washington in matters of global strategy and as early as mid-1976 a leaked document had mentioned a "pact" between the two, possibly including Japan and also Australia. By 1984 this prospect was being denied and Premier Zhao Ziyang was quoted as saying, "...it is not possible to establish a strategic relationship between China and the United States."[4.] Opposition to what is termed 'hegemonism' has been a constant theme in Chinese foreign policy pronouncements for over ten years and the US as one of the superpowers has always been seen as an hegemonic state, albeit a less dangerous one than the Soviet Union. The close ties Deng helped forge with the US were not without cost for China's reputation in the Third World. Interventions in Grenada and, more recently, Nicaragua placed Beijing in an awkward position but resulted in strong criticism and condemnation of the actions by China. At present friendly relations do not mean the suspension of all criticism and we can detect a move towards better Third World contacts as the 'honeymoon' with the US proves to be of shorter duration than Deng had predicted in 1979.

Further indications that China is moving towards a position somewhere between the two superpowers was provided by Foreign Minister Wu Xueqian's address to the UN General Assembly in September 1984. The term 'equidistance' is firmly denied and it was the case that Soviet intervention in Afghanistan and Vietnamese occupation of Kampuchea met with stronger criticism than did intervention in Latin America, but both superpowers came under attack for this and for their attempts to manage nuclear arms politics to their own advantage. China's identity of interests with the Third World was again stressed and has been followed with several initiatives to stimulate South-South cooperation as another aspect of the renewed interest in the Third World.

As China has moved a little away from the position occupied in 1979-81, when an informal united front arrangement was sought against the Soviet Union, there has been a perceptible move back in the direction of normal relations with Moscow. The three pre-conditions for normalization remain and to date none have been met, but it is not clear what normalization means in the present context, unless it is the resumption of party-to-party contacts. The Soviet Union has not yet acceded to Chinese demands to
reduce the forces deployed along the border and in Mongolia, or withdrawn from Afghanistan or cut back its support for Vietnam in Kampuchea, but the pace of change in contacts with China has been impressive. Sporting, cultural and educational exchanges have been resumed, although still on a level well below those with the West, and a trade agreement has just been signed which will further increase the level of economic ties. Trade figures do not include a growing barter trade at the borders and the Soviet Union has agreed to modernize some of the plant and equipment installed before 1960. As an automotive plant is amongst those listed, and the Soviet Union had to import Italian technology to produce an effective passenger vehicle for domestic use, China may be less than pleased at this particular offer. The visit of Vice-Chairman Arkhipov has now taken place and there are plans for a high level return visit later in the year, probably separate from the round of talks planned for October. Given the importance China now accords to economic links in building better political understanding, relations with the Soviet Union are likely to improve.[5.]

The recent phase in Soviet relations has been explained by Vice-Minister Zhu Qizhen as being in the interests of both nations and of world peace and stability.[6.] Furthermore, although it is denied that Beijing is playing the "Soviet card", Washington would not welcome any real rapprochment and China's leverage is increased to this degree. China has also seen the benefits of being able to keep defence costs down and a reduction of tension short of Soviet force reduction would carry some advantages for the modernization programme. Zhu went on to describe China's policy towards the superpowers in terms of independence.

"That is why our position is somewhat close to the U.S.'s views on some international issues, while on some other issues our views would seem similar to the Soviets'. It could also happen that China's position on certain issues differs substantially from both the United States and the Soviet Union. Equidistance is not our policy. We do not seek to balance our relations between the Soviet Union and the United States. If it were an equidistant policy, then the focal point in our observation would have been how to keep a balance between the Soviet Union and the United States at the expense of our principles. Obviously, this is not a point of departure in our consideration."[7.]

Recent foreign policy statements confirm that China is adopting an independent posture which permits relations with both superpowers but retains sufficient distance from each to permit criticism of either, as over Afghanistan and Latin America, or both, as she has done over what is seen as hegemonic attitudes on arms control. Foreign Minister Wu Xueqian in his January statement reiterated this independent stand, although relations with Washington are still considerably better than those with Moscow, the visit of Vice-Minister Arkhipov and the trade agreements notwithstanding.[8.]

The point of departure in China's foreign policy considerations is increasingly held to be the modernization programme and the need for access to both markets and foreign technology. These factors are sometimes seen as imperatives to China's commitment
to a peaceful international environment and a set of stable bi-
lateral relationships, emphasis on free exchange of technology
and credit rather than self-reliance, and a reduced interest in
Third World insurgencies. Cumings, who rejects such an
explanation as too simplistic, nevertheless quotes Sir James
Steuart in connection with China's return to tractability thus,
"...once a state begins to subsist by the consequences of
industry, there is less danger to be apprehended from the power
of the sovereign."[10.] This approach is also used to explain
aspects of Sino-Soviet relations, as with a Washington Times
headline,"China Shelves Soviet Dispute for Modernization."[28
December, 1984]. While it cannot be shown conclusively that
current policy is not directly linked to the demands of the
particular path of economic development, and linkages clearly
exist, other aspects of that policy are not related to China's
role in the international economic system. Criticisms of the
superpowers and the positive steps taken as a member of the Third
World to foster South-South co-operation and change that economic
system serve to show China's policies are the product of a more
complex set of considerations.

The whole range of policies in China today, domestic and
external, are commonly depicted as pragmatic and Deng Xiaoping's
observation that there is no significant correlation between the
pigmentation of cats and their performance as mouse catchers has
become a cliche. This interpretation is facile and overlooks the
balance of forces within the decision-making community in China.
Deng himself frequently reminds China of the relevance of Mao
Zedong's political guidance. To seek truth from facts is quite
consistent with this position and Deng probably represents one
extreme within the leadership, the others regarding Mao's Thought
as somewhat more significant. What has disappeared from the range
of political views at the top is that of the "Whateverist"
faction which related to the succession question and specific
policies of the 1975-76 period.

The domestic policies pursued since the Third Plenum at the
end of 1978 represent a major departure from earlier approaches
to China's problems. These policies have also been developed
against the background of an acute crisis of faith. After many
years of propaganda extolling China's achievements in unreal
terms, Deng Xiaoping castigated the nation by pointing out that
China rated poorly in international comparisons of crop yields,
labour productivity and costs of production. Furthermore, some
Chinese economists showed that the only increases in agricultural
production since 1949 were attributable to increases in labour
inputs, thereby denying the innate superiority of the whole
collectivization programme which had been so much an article of
faith in China and had been vociferously defended, even in the
absence of the mechanization of agriculture which had preceded
collectivization in the Soviet Union. Public presentation of
these unpalatable facts provided the background against which new
policies were developed and implemented, the most significant
being the varieties of the "responsibility system" in the coun-
tryside, the move from attempted total planning to indicative
planning, profit accounting and the retention of profits by
enterprises, bonus and incentive payments, encouragement of
individual and co-operative commercial initiative and the use of
foreign credit on a large scale.
Other important changes are also taking place in the role and the composition of the Communist Party. The Party's leading role is still emphasised but its involvement in the process of policy implementation has been reduced in favour of allowing the economic managers a freer hand. At the same time the composition of the Party membership is undergoing change as more educated elements are recruited and the older peasant fighters and under-educated cadres are retired or eased out of posts which served to highlight their inadequacies in a China that no longer requires simple crash campaigns or maximization of output to achieve new and more complex economic targets. Recruitment to the Party of successful rural entrepreneurs, many of the indistinguishable from the rich peasants of earlier years, may well have long term implications for the Party if it brings a real convergence of the economic elite with the rural political elite but in the short term it must result in a local administrative system more amenable to the new policies and others framed in the same parameters of economic practicality rather than ideological rectitude and egalitarian rhetoric.[11]

The many reforms implemented since the Third Plenum of 1978 do require a stable international environment to take root and flourish and in this sense Samuel Kim sees the wellsprings of the new "neorealist" approach to international relations as being in the main domestic.[12.] At the same time, Beijing perceives shifts in that international environment which suggest a foreign policy more independent of the superpowers. From a close and even dependent alliance with the Soviet Union from 1949 to the late 1950s, China adopted an assertively independent line during the next decade to the point where, by 1969, there was a danger of a dual adversary situation developing which could imperil the security of the nation. The opening to the West had so progressed between 1972 and 1979 that China seemed about to enter a security relationship with the United States and build a system of allies directed against the Soviet Union. This phase certainly bears superficial similarities to the earlier period directly after World War II when US hopes lay with Chiang Kai Shek. Whether the KMT regime would have been as amenable on some issues, such as the Hong Kong question, is open to doubt for there were plenty of indications by 1949 that Chiang would also follow a policy of what Allen Whiting has termed "assertive nationalism" when describing the current phase of China's policy.[13.] In a limited degree there was something of a return to 1945-49 in the positions of China and the US at the turn of this decade but by 1982 China was not seeking to pursue the strategic aspects of the American relationship much further. Prospects of a Soviet act of aggression had diminished and from that point China has sought a gentle and partial disengagement or "delinking" to employ Kim's terminology. After resisting a closer strategic relationship when it was more acceptable to Beijing, largely because of other commitments to Taiwan and a tardiness on the part of the defence community to fully appreciate the nature of change in China, Washington is now more willing take up the earlier Chinese position. Distrust of China within the Pentagon and parts of the conservative establishment will continue to stand in the way of a real sharing of nuclear technology but short of this the US is now more ready to recruit China into an anti-Soviet arrangement. This is at a time when China is seeking to repair its prestige.
and relations with the Third World and establish something of a friendly distance from both superpowers. Whatever complicated factors lie behind these shifts, it seems fortunate that events have taken this course since there is little to be achieved by bringing about the "worst case" scenario of Soviet strategic planners. A "full circle" which involved a formal security alliance embracing China and the US, with or without Japanese participation, would destabilize the fragile Northeast Asian sector and have global implications. It should satisfy the policy makers in Washington that China accepts the international status quo to the extent that she does without demanding its endorsement by Beijing and an alliance which would jeopardize the peace and stability to which she is presently so firmly committed.
1. Whatever the impact of the speech in 1965, it is now forgotten and Deng Xiaoping has even claimed that he has never heard of the contribution by Mao's former "closest comrade in arms."


3. M. Lindsay, China in the Cold War, Melbourne, Melbourne Univ. Press, 1951.


5. e.g. Li Xiannian, "Every day we insult each other's mothers. But I assure you that we will never strike the first blow." SWB, FE/6931/A1/1-3, 19 Jan., 1982.


7. ibid., p. 75.


9. ibid.


This paper, and the meeting for which it is intended, is demonstrable proof of the central fact of the East-West strategic balance: that the world has not been blown to pieces by the vast nuclear armouries of the superpowers. So that's something. We are alive to tell the tale, but to vary Shakespeare on life itself, a tale told surely by an idiot, full of sound, fury, and danger, of wasted resources and opportunities, of insane priorities, and signifying Armageddon in sight. But what is the tale? Is it of a series of lurches by the great powers between the brink of cataclysmic disaster and more or less peaceful co-existence while forces are rejuvenated and deployments improved? Or is it a tale of middle sized and lesser wars with superpowers pulling levers or pouring in arms, supporting their surrogates but being careful to avoid direct confrontation? Each of these propositions has some basis in fact, but neither is an adequate summary of the strategic events of the past forty years.

Despite the dramatic and undoubtedly dangerous confrontation between East and West in Europe, despite the extraordinary vertical proliferation of nuclear weapons and their destructivity, despite the overwhelming nuclear superiority of the United States for the first two decades after World War II, and despite all the angry words, threats and political manoeuvrings on both sides, neither superpower has acted to destroy the rough overall balance between them. There have been and still are sizable wars around the world, but almost without exception these have been wars between neighbours, or civil wars, into most of which external powers have over the years become decreasingly important or influential.

* Professorial Fellow in International Relations, Australian National University. I am indebted to Desmond Ball for a discussion of some of the points in this paper.
One can hardly speak of an 'East-West' balance in late 1945, although Europe was divided between the allied Soviet and Western occupying powers. But the confrontation quickly developed, with the USSR by force majeure strung with legal instruments extending its imperial control over the whole of eastern Europe by 1948. The stupidity of Roosevelt and Eisenhower in holding the American British forces back from Berlin as the war closed led to the successive arguments over the control of the German capital and the massive tension this generated, climaxed in the Berlin blockade (April 1948-May 1949) and the creation of the North Atlantic Treaty and the Warsaw Pact. We would almost certainly have had the Cold War in most of its manifestation even if the Western allies had held out for a protected land access to Berlin, but the lack of such access was an ace handed to the Russians which they did not hesitate to play.

The rapid demobilisation of the Western forces both in Europe and in Asia, and the lack of equivalent demobilisation by Soviet forces, left the latter strongly entrenched within their areas of occupation. In the years immediately after the war they withdrew from Manchuria, from Iran (under considerable pressure) and from Finland, and allowed the independence of a neutral Austria which they had jointly occupied. Nowhere else did they withdraw, not at least without installing surrogate regimes. The East-West balance in 1948 comprised the heavily militarised extended Soviet imperial system on internal lines of communications but desperately weak economically and without nuclear weapons versus the Western allies with a handful of nuclear weapons, weary of war, but still in position in Western Europe and supported by the richest and strongest nation on earth. The European imperial powers had reoccupied most of their colonial overseas dominions giving global lines of communication and access to abundant raw materials. The United Nations gave some hope of resolving international disputes. The iron curtain that rang down on Europe had little equivalent elsewhere. There were no significant international conflicts anywhere and the Western
powers seemed capable of quelling any that might arise. Nevertheless the fear of conflict initiated by the USSR in Europe or through surrogate communist parties, preoccupied the West. In the Middle East a new country not much bigger than a man's hand threw a cloud over the balance which no-one noticed. But in 1949 in the Far East, the military victory of the Chinese Communist Party seemed to put under a single ideological and political control the greater part of the Euro-Asian land mass - no less than Makinder's 'heartland', about which the great geographer had said that he who ruled it would rule the world.

The situation today, forty years after the end of World War II, is of course that no-one rules the world, neither the United States nor the Soviet Union nor any other state or group of states. Both superpowers have learned hard lessons about the limits to military powers, the remarkable resilience of nationalism, and the uncertainty of ideology as a coagulative political force. Both sides deploy massive power at the margins of the great land mass, but in a condition of relative stability which is reinforced by the balance of terror. Their ships, aircraft and satellites shadow each other on a global basis. Though combining the doctrines of Makinder and Mahan (a blue-water navy), the Soviet Union is on shifting sands outside its own border. It is in a state of constant potential hostility with China, as attested by the more than fifty Soviet divisions in eastern Asia. It has been stuck for nearly six years in a war in Afghanistan that it cannot seem to win but feels it cannot afford to lose. It has proved singularly unskilled at providing a workable and acceptable political or economic model for new states, and at turning military aid into political control. It has been thrown out of or ceased to be influential in one country after another. The United States, with a much higher proportion of economic aid, has found this more acceptable but not greatly more influential. It has not yet recovered from the mistakes and traumas of a war in Asia for non-vital interests - in Vietnam. Both superpowers work hard at extending their comparative
military strengths; they work even harder at ensuring that those strengths are not used in a situation of direct confrontation with each other. The Soviet Union has over five million in its armed forces, the United States over two million (IISS Military Balance 1984–1985). Their allies add considerably to these figures.

The notion of a world balance of strategic forces suggests a rough equality between opposing powers. There is something in this, yet most governments don't go to war, whether or not their neighbours are weaker than they are. Many factors other than military strength go into decisions to engage in conflict, and many factors other than the size of armed forces and arms holdings enter into military capacity. Even when we can get an agreed estimate of military capacity, that may tell us nothing about intentions. Most governments prefer peace. The Canadians don't fear a military invasion from the United States, nor Belgium from Germany nor Papua New Guinea from Australia. Some countries, such as Israel, have a strategic importance out of all proportion to their economic or military strength. Others, such as South Africa, claim an importance which other states don't acknowledge. In the field of strategic analysis we are concerned with perceptions, with subjective judgments, with degrees of ignorance, rather than objective facts.

It is the perceptions, not the facts, that determine policy and strategy, and the objective facts are hard enough to ascertain: first, because governments don't tell the truth, or don't tell the whole truth, or tell us things that are nothing like the truth. There are major discrepancies in information and analysis, even from or between highly respectable sources, about the military capacity of the two major blocs. Even within countries, assessments will not necessarily agree. In the United States, for example, the Defence Department (the Pentagon), the Central Intelligence Agency and the State Department can have significantly different estimates of Soviet military expenditure, strength, deployment and intentions. There is constant modernisation of weapon systems, scrapping
old ones and building new ones, and governments, especially in authoritarian countries, don't always give the details. In the forty years that the world has known the sin of nuclear weapons, there has not been an opposed nuclear war. We don't know what it would be like. We don't know whether the countermeasures would work. It is immensely difficult to find a basis for comparing nuclear forces with different ranges, numbers of warheads, throw weights, etc. We don't know how new conventional weapons will operate under battle conditions. We don't know the different degrees of military professionalism, the level of training or the degree of will to fight, in many armed forces. We don't know whether alliances put under strain will stick together or split apart. This all makes the game very hard for armchair strategists such as we are.

Here is a comparison of estimates of strategic nuclear forces of the superpowers now and in five years' time:

<table>
<thead>
<tr>
<th>Year</th>
<th>Strategic nuclear delivery vehicles</th>
<th>Warheads</th>
<th>Megatonnage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>USA 1941</td>
<td>11,678</td>
<td>3876.61</td>
</tr>
<tr>
<td></td>
<td>USSR 2652</td>
<td>9,151</td>
<td>6731.62</td>
</tr>
<tr>
<td></td>
<td>Numerical advantage USSR 711</td>
<td>USA 2,527</td>
<td>USSR 2495</td>
</tr>
<tr>
<td></td>
<td>% advantage USA 36%</td>
<td>USSR 27%</td>
<td>USSR 64%</td>
</tr>
</tbody>
</table>

1. Equals about 320,000 times the explosive power of the Hiroshima bomb.
2. Equals about 560,000 times the explosive power of the Hiroshima bomb.
1990

<table>
<thead>
<tr>
<th>Strategic nuclear delivery vehicles</th>
<th>Warheads</th>
<th>Megatonnage</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>2009</td>
<td>14,452</td>
</tr>
<tr>
<td>USSR</td>
<td>2455</td>
<td>10,392</td>
</tr>
<tr>
<td>Numerical advantage</td>
<td></td>
<td></td>
</tr>
<tr>
<td>USSR</td>
<td>446</td>
<td>USA</td>
</tr>
<tr>
<td>% advantage</td>
<td>22%</td>
<td>39%</td>
</tr>
</tbody>
</table>

(Source: ANU, Strategic and Defence Studies Centre)

In Europe, the nuclear balance is more complex in that many of the Soviet missiles can be used either for intermediate range or for strategic purposes, i.e., either against Europe or the United States. There has been a steady deployment of several hundred SS-20 IRBMs, currently frozen by Mr. Gorbachev. Western nuclear defences include the semi-independent forces of the British and French, as well as American strategic nuclear forces dedicated to the European theatre, the new relatively mobile US Pershing II IRBMs in West Germany, and ground-launched cruise missiles located in Britain and Italy. In addition there are many thousands of US tactical nuclear weapons in Europe. The two power blocs thus have the nuclear capacity - as we all know - to destroy each other and much of the rest of the world many times over. The fifth country with strategic nuclear weapons is China, with a reported 6 ICBM launchers (2 of 5 megatons and 4 of 3 megatons) plus over 100 medium range or intermediate range ballistic missiles - a total of about 2000 Hiroshimas. The obvious targets for these missiles lie in the Soviet Union. So far as we know, only one other country has tested a nuclear weapon (or nuclear 'device' to use the local euphemism). This
is India, and it could no doubt manufacture more, relatively simple, nuclear bombs if the government so decided. The event that would almost certainly produce such a decision would be if Pakistan had a nuclear explosion. Pakistan is close to being able to do that, but has so far not done so, presumably in deference to American pressure and perhaps even to common sense. Competitive nuclear escalation on the sub-continent is an insanity neither country could afford. The only other country believed to have nuclear weapons is Israel, although South Africa, Brazil, Argentina, South Korea and Taiwan are considered close to the threshold.

In a world where tens of millions of people hover on or slide desperately over the brink of starvation, how could 'we' have allowed the enormous expenditure on these arms, and the destructive capacity they comprise not only to human life but potentially to all animal and plant life on earth. How did we get where we are? The following is a very brief summary of some of the main events and decisions.

II

Let us consider first the growth in nuclear weapons, which seems almost to have had a path and momentum of its own and which has been the most usual (if gravely inadequate) measure of the strategic balance. In late 1945 there was only one nuclear weapons power - the United States - and it had only two nuclear devices. It did not move quickly to make more: the war was over, and the morality of nuclear weapons was under agonising debate. Then in 1949, the USSR exploded its first atomic weapon and the following year, during the Korean war, the United States began to mass produce atomic bombs capable of being dropped from aircraft, like the one that destroyed Hiroshima and much of Nagasaki. Within about two years it had a stockpile of 1000.
The Soviet program was much slower initially. In 1954, after experimental explosions, the US detonated its first thermo-nuclear or hydrogen bomb, with the Soviet Union, having compressed the technological gap, following some 15 months later. In attempting equality with the US, the Soviet Union initially had to overcome the problem of distance: while the US could bomb Soviet territory from Europe, Japan, Okinawa, South Korea (after 1951), or Pakistan (after 1954), or from carriers, the USSR did not have the means to reach the north American continent until the Badger and Bison bombers were developed in the mid-1950s, and atomic bombs began to be mass produced. The bombers were in any case vulnerable to interdiction. Until about 1965, the weight of nuclear advantage thus overwhelmingly lay with the United States, because of its preponderance in numbers of weapons, aircraft and range of bases. The key American strategic notion was of 'massive retaliation' with nuclear weapons against either conventional or nuclear action from the USSR, and in effect though also never tested, 'extended deterrence' of the US against attacks on American allies in Asia or Europe. In the late 1950s both superpowers were testing long-range and intermediate-range missiles that could be fitted with nuclear warheads. In August 1960, three years after Sputnik, the US sent up its first reconnaissance satellite which photographed the USSR and thus its nuclear installations, initially dropping the film back to earth but subsequently relaying the photographs to ground stations.

The 1960 US Presidential campaign was fought partly on the notion of the 'missile gap', i.e. the proposition that the USSR had a superiority in ICBMs. The satellite reconnaissance photographs, confirmed by the reports of the spy Penkovsky, showed that the US was in fact well ahead in ICBMs - about 300 to the Soviets' 30. It was this information, and a strong local naval predominance, that gave President Kennedy the confidence to insist that Soviet ships taking missiles to Cuba should turn around and go home. This was a famous victory but the Russians ensured
they never got themselves into such a predicament again. The next time there was a confrontation in Cuba, over alleged Soviet ground forces there (October 1979), it was President Carter who, looking rather foolish, backed down, not the USSR.

The United States was about two years ahead in the deployment (from 1959) of ICBMs, and about five years ahead (from 1960) in the deployment of submarines (the Poseidon) with long-range missiles. In the period 1965-72, the Soviet Union moved to second generation ICBMs, in large numbers, so that by the time the first of the Strategic Arms Limitation Talks agreements (SALT I) were signed in 1972 - an Anti-Ballistic missile (ABM) agreement and an agreement to freeze the number of offensive strategic ballistic missile launchers - the USSR actually had a superiority in ICBMs and in SLBMs. Under the SALT II agreement signed in 1979 between President Carter and Brezhnev but never ratified by the US, the numbers of strategic missiles were brought closer to parity. This ushered in the period of relaxed tension, known as detente. The next technological breakthrough, in which again the United States had the initial advantage, was the Multiple Independently Targetable Re-entry Vehicle (MIRV), i.e. several warheads on the one missile. The second generation SLBM, the Poseidon, was so fitted, and its fleet was and is capable on its own of destroying most of the Soviet Union. This gave the US an advantage in the number of missiles but - as the table above shows - not in the total explosive capacity measured in millions of tons of TNT (megatonnage). The US leads in accuracy, and thus in counter-force capacity. The total quantity of destructive capacity of each side and the range of delivery vehicles are such that further refinements are possibly mainly in the field of accuracy, mobility of installations, and in surveillance and defensive measures.

Mr Reagan's Strategic Defence Initiative (SDI) of March 1983, known irreverently and inaccurately as 'Star Wars', was initially an appealing but largely spurious attempt by the President to lift the burden of
nuclear dread from mankind by replacing offensive with defensive weapons. If the West could shift its sense of security from mutual assured destruction to an almost invulnerable defence which would make Soviet attacks ineffective, we could all breathe again. A sum of $26 billion was allocated to research on a space-based, layered defence against Soviet ICBMs, attacking them in each of the four phases of their intercontinental flight. The proponents of SDI (in its more recent and more sophisticated formulations) do not consider it likely that they could destroy 100% of all Soviet missiles, but with vivid imaginations they do see the possibility of destroying up to 90%. While the remaining 10% could do vast damage to US installations or cities, they feel that the existence of so effective a defence would convince the Russians that they would not achieve their objectives in a first strike. SDI is thus no longer a shift from offence to defence but an addition of defence to offence in a way which can only breach the 1972 ABM treaty. (One would never know of course whether 90% or 9% of incoming missiles were destroyed.)

Both the US and the USSR have been engaged for several years in research into technologies relevant to SDI, including particle beam and laser weapons, and anti-satellite programs. SDI gives a massive push to the research and its finance.

The doubting Thomases of SDI, among which are many Americans, most Europeans, and many Australians including the government, do not believe that SDI will provide a high degree of defence, but on the contrary that it will stimulate the USSR to overwhelm the defences with a multitude of new weapons, decoys and other counter-measures, as well as to develop alternative systems which will bypass or fly under the defences. The doubters see the United States technological juggernaut running away with Western strategic policies, riding roughshod over saner political judgments. They see it as destabilising rather than stabilising, escalating rather than reducing, and
settling new levels of expenditure on weapons systems that the world, with so many millions at or below the level of starvation, desperately cannot afford.

This account has not considered the long series of arms control negotiations: between the superpowers, or between all the nuclear weapons states (NWS), or within committees of the United Nations. Only where these negotiations have been between the NWS have they been even moderately effective. The superpower discussions, ploys and counterploys, have been aimed usually at achieving an advantage: parity for the weaker or superiority for the stronger. But the record is not only one of abject failure. The 1963 Partial Test Ban Treaty put a damper on atmospheric atomic testing and fallout. The Non-Proliferation Treaty of July 1968, against all odds, has restricted the number of NWS to five or six (plus India) or perhaps seven (Israel). A treaty in September 1971 established emergency direct communication between the Soviet and American leaderships. The SALT I and SALT II agreements are substantially still in effect. Treaties of January 1967 and of February 1971 banned respectively the emplacement of nuclear weapons in outer space and on the seabed.

If these are but crumbs of comfort, they are better than nothing, and both superpowers have done all they could to prevent or contain the horizontal proliferation (to other states) of nuclear weapons power. This is partly because they want to restrain the independence of restive allies, and partly because they are uncertain that such allies will behave with the pragmatic good sense which the superpowers believe is their own special prerogative. The USSR has no NWS allies; the US manages its nuclear ally, Britain, in NATO: France is something of a rogue elephant, as is China. De facto, all three are on the American side in the nuclear balance.

Not only, in these forty years, have we not blown ourselves up or had the feat performed for us by a NWS, but so far as we know we have never come near to doing so; never come near, indeed, to the use of nuclear weapons in anger since Nagasaki. Desmond
Ball has stated that between 1945 and 1982 there were some 20 occasions 'during which responsible officials of the United States government formally considered the use of nuclear weapons' ('U.S. Strategic Forces. How Would They Be Used?', International Security, 7(3), Winter 1982/83). None of these was translated into action. Even in the October 1962 Cuban incident, when many observers then and since feared or believed the world was on the brink of a nuclear war, there was little domestic support for a US nuclear strike, and we now know that the disparity between the forces put the brink a considerable distance away. The possibility of a nuclear explosion by accident by one or other of the NWS cannot be ruled out; but the possibility of a nuclear war between the superpowers, by accident or design, has come close to inconceivable, so great is the damage that would be done to both and to the planet they share with the rest of us.

The problem, of course, which many worthy promoters of nuclear disarmament seem unable to understand, is that we may be able to slow but we cannot stop the moving finger of scientific invention; that all our piety or wit cannot cancel half a floppy disc of acquired nuclear knowledge, nor all our tears or demonstrations wipe out a silicon chip of the advancing technology.

III

Whatever the extent to which the nuclear arms competition constituted a separate aspect of the East-West balance, it could never be irrelevant to or uninfluenced by the political scene and the conventional military equation. During the nearly two decades of American nuclear superiority, including times of high international tension, there were no nuclear explosions in anger; and in approximately 15 years of Soviet nuclear parity with the US or even selective superiority, when there again have been many wars and rumours of war, the world has been even less inclined to nuclear conflict. The politicians
have been conscious of the state of the nuclear balance, but, so far as we can tell, rarely in such a way as to influence political decisions. With few exceptions (perhaps in the ending of the Korean War in 1953, in the Soviet threat to Britain during the 1956 Suez war, and in the October 1962 Cuban affair) the world has functioned very much as if there were no nuclear weapons. The one increasingly pervasive and essentially beneficial effect of the 'balance of terror' has been that the two superpowers have taken every care not to become involved in direct confrontations.

In one seminar paper it is impossible to recount the shifts in the predominance of power or in the likelihood of major conflict during these few decades. Instead I propose to consider what a number of the more critical situations or events tell us about the balance at that time.

Throughout the whole period, the public manifestation of the balance or the confrontation was the situation along 'the seam' of Europe, the line between the Soviet-occupied area and the West. Berlin was the focus and symbol, the pressure point of this division. There is no law that allies should fall out when their common cause has been achieved, but it was almost inevitable in the case of the USSR and the West because of their different post-war objectives, their incompatible ideologies, and their disparate resources.

Then as now, the very understandable first Soviet aim was to ensure that Germany should never again launch a war against the Russian people. The political subjugation of most of Eastern Europe, after the wartime occupation, was an imperial activity, to be sure, but with this in mind. There is little doubt that had they been allowed to do so, the Russians would have done to West Germany what they did to East Germany, where there are still twenty Soviet divisions. West Berlin was not simply a dagger pointed at the heart of Soviet domination; it was the all too visible, all too glitteringly accessible alternative to the bleak, barren and periodically (1953, 1956, 1968, 1981) bloody communist system. The Russians first sought
to physically exclude the Western powers from Berlin
during the blockade of 1948-49, but were not prepared
to force the issue by a war they could not really
expect to win. Subsequently, psychological pres-
sures, blustering threats (by Khrushchev), and
political manoeuvres were tried, without significant
success. The East German people continued, in
droves, to 'vote with their feet'.

Eventually (1960), like the Chinese millennia
before, the Russians believed that the only way to
maintain the integrity of the empire was to put a wall
around it, festooned now with modern refinements such
as minefields and electrified fences. It was an
admission of failure, but it consolidated and protected
the imperial system. Soviet fears were never entirely
without substance, and were roused almost to a
paranoid level by arrangements for a West German
'finger on the trigger' of nuclear weapons based in
Germany, and by the idea of a multilateral European
nuclear force.

By 1948 the Western powers were committed to the
economic recovery of Europe. This was both for
humanitarian reasons, and for practical economic
purposes - the expansion of markets, the elimination
of the aid burden. The Marshall Plan was the vehicle,
a vehicle the Soviet occupation authorities would not
let into their area because its wares - economic and
political - were too attractive. The aim of the USSR
was not the economic recovery of Europe but its
submergence into the centralised economic system
planned in Moscow. Comecon, or CMEA, was socialist

Finally, the aim of the Western powers was the
elevation of Germany into an independent peaceful
democratic society. This was quite incompatible with
Soviet objectives, not only because independence might
lead some day to renewed militarism but because the
very notion of free thought and action was a poison
the Soviet system could not afford to inhale.

'German' national sentiment, more public in the
Federal Republic, has troubled all the neighbouring
and allied countries, none of whom wishes to see a
reunited German state. Perhaps in the next century, generations of leaders for whom Hitler is a folk figure, a Grimm's villain, may feel differently; but for the last half of the 20th century, over-riding the tense gun-barrel-to-gun-barrel confrontation in Europe, the spy industries, the war plans and the propaganda, and the nervous acceptance of the inevitable development of East-West links, has been the firm determination by all external parties that Germany must remain divided. The scars of the havoc wrought by this people on Europe in particular and humanity in general are too deep to be erased. If the 'seam of Europe' is the continuing evidence of forty years of opposing occupations, it is also evidence of the basic stability of the balance between two very different and incompatible systems which have leaned to live with each other, acknowledging tacit spheres of influence.

Two countries at the margin of Europe demonstrated the limits to Soviet capacity where it did not provide occupation forces: Greece, where a local communist movement was thwarted from assuming power by Truman and his 'Point 4' program; and Yugoslavia, communist but with a fierce local nationalism and difficult terrain. Both had open maritime borders reinforceable from the West.

The two treaty organisations - the Warsaw Pact and NATO - with approximate military equality, have maintained their cohesion under stress: in one case by a whip, in the other by fear that the same whip could fall on them.

IV

As Russian literature and ballet remind us, long before Russia became an Asian country in the 18th century and an Asian power in the 19th, the perceived threat has been more from the East than from the West. The defeat in the Tsushima Straits eighty years ago emphasised this vulnerability, and Russian and Soviet strategic thought has shown considerable preoccupation with the problem of a war on two fronts.
The appalling difficulties in communications between the two sides of the country, and the problem of supply to the east outside the brief summer season, compounds the difficulties.

In 1945, having stayed out of the war with Japan until it was effectively over, the USSR then moved rapidly to improve its strategic position, to redress earlier losses, regain the southern half of Sakhalin and occupy all the Kuril Islands, and first occupy them put a puppet government into North Korea. This gave the Soviet navy much more assured (though still vulnerable) egress into the Pacific, and while Japan was always a potential tiger at the gate it was a much reduced tiger. When the United States withdrew from South Korea, and Secretary of State Acheson drew America's Asian defence perimeter so as to exclude the peninsula, Stalin encouraged Kim Il Sung to conquer the South with the war material the Russians had given him. As subsequently at the United Nations, Stalin misjudged the likely American reaction and although he quickly withdrew from all involvement, leaving the Chinese to salvage and protect North Korea, that misjudgment and its consequences have kept the United States on the mainland of North-east Asia ever since. The Korean war had other far-reaching repercussions. It led to the quick ending of the occupation of Japan, the gradual rearming of that country under the transparent euphemism of 'self-defence', and to a number of American security treaties - with Japan first, and with Australia and New Zealand (ANZUS). It elevated the North Atlantic Treaty from a contingency arrangement to a defensive organisation (NATO). Substantiating the fears of those in the West who believed in a monolithic and militant communist movement directed from Moscow, the Korean war was a principal justification for the subsequent mutual security arrangements in Southeast Asia and the Middle East - the Southeast Asian Collective Security Treaty, known by its organisation (SEATO), the Central Treaty Organisation, or Baghdad Pact, and treaties with Pakistan, the Republic of China (Taiwan) and the Philippines.
China's participation in the Korean war, and its 1950 security treaty with the USSR (ensuring Soviet aid if China were attacked by Japan or 'a country allied with Japan', i.e. the US), also substantiated many of these fears, and for the two decades of the 1950s and 1960s China and the USSR appeared to be powerfully allied against Western interests in Asia and elsewhere. This was always an oversimplification, and increasingly during the 1960s, substantially erroneous; but so obsessed did the United States become with defending its dignity in a war (Vietnam) it had entered for ideological reasons first and strategic reasons second that it failed even to see let alone (much harder) to exploit the chasm opening ever wider between Moscow and Peking, even when the latter were engaged in minor hostilities. Nixon and Kissinger did see the rift and exploited it probably about as early (1971-72) as the situation in Peking could accommodate following the chaos of the Cultural Revolution. But in the meantime for ten years America's European allies saw it as unhealthily preoccupied with a conflict in Asia that was none of their concern, diverting to that far away country (Vietnam) of which all but the French knew and wanted to know nothing, resources that should more properly have been available for the defence of Europe.

The effect of America's involvement in the security of South-east Asia was by no means entirely negative. The US gave reassurance to the non-communist states in the region, against China, the USSR, and ultimately Vietnam. It delayed for probably 10-15 years the communist takeover of the whole of Indo-China. The Association of South East Asian Nations (ASEAN) was an outcome of the Vietnam War and of fear of Vietnam. Technically an economic grouping it is much more successful in political terms, adding to regional stability by sublimating intra-regional differences.

The American reconciliation with China, when it came, had impulsive and regressive elements on both sides but the common factor was suspicion of the USSR and hostility to its ambitions. As Moscow was quick to
complain, this meant that it was now confronted with the East by a de facto alliance between the United States, China and Japan. But American euphoria with China and its continued bitter resentment against Vietnam forced it into another error of judgement, encouraging China to invade Vietnam and 'teach it a lesson'. The lesson intended to be taught was that Vietnam could not rely on the USSR, but the lesson learned by Vietnam was that it could rely on no-one else. From this situation the Russians have obtained long-term naval and air bases in Vietnam, which has changed to the West's disadvantage the whole strategic situation in the Western Pacific.

In North-east Asia, perpetually hamfisted Soviet diplomacy against Japan, the corrupt incompetence of the North Korean regime, and China's renversement, have left the USSR with an environment whose unsympathetic elements it confronts with 52 Soviet divisions, a separate command structure able to fight a war, with nuclear bombers and missiles capable to destroying much of China (at a cost of nuclear reprisals) and all of Japan, and a major navy including one or two carriers. Though much more complex a confrontation than in Europe, for 15 years or so there seems to have been a rough balance between the USSR and its eastern neighbours.

V

In the Middle East/South-west Asia, the United States sought to do what it did successfully in Europe and to some (lesser) purpose in Asia: to shore up local non-communist governments against domestic communist influences and Soviet intervention. The main strategic prize has been the Middle East oil fields, unyieldable because the industries of Western Europe depended on them, whereas the USSR is the world's largest oil producer. The vital ground in addition to the oil fields themselves has been the
Turkish straits, the Suez Canal, the (Persian) Gulf, and since the late 1940s also, for separate reasons, the state of Israel.

Greece and Turkey adhered to the North Atlantic Treaty in 1952, in a triumph of reason over deep, ancient animosity. Although this situation has had its problems and is obviously going to have a lot more (and not only because of Cyprus where the two ethnic communities are disparately represented), membership of NATO has tended on balance to reconcile rather than exacerbate differences. In its other attempts to shore up the southern flank defence against assumed Soviet expansionism, the Western powers have been less successful, due to incompletely understanding local nationalisms and being incapable of managing the complexity of national and sub-national group relationships they are so patently unable to manage for themselves. The other Western powers have been sympathetic to Israel, but only the US, for domestic political reasons, has seen Israel as under no circumstances expendable. This has caused some friction with the other objective of ensuring the flow of oil out of the Gulf, and the Soviet Union as well as local nationalists have seized on this ambiguity and the American image of capitalist exploitation to foment trouble for the US. The 1973 war and oil embargoes constituted the apogee of Arab exploitation of the ambiguity. The Arab states in their three wars with Israel have been armed by the Eastern bloc, Israel by the West (mainly the United States), but apart from some pilots and surface-to-air missile technicians, the Arabs have had to fight their own wars, suffering many casualties, economic disaster and great humiliation. The reason for Soviet restraint is the reason why Sadat went to Camp David: alone among the Arab leaders he saw that the US would never allow Israel to be eliminated.

While making trouble where they could - and Muslims are not notable sympathetic to communist ideology - only in one country, Afghanistan, have the Russians sought to gain control. Their campaign for this began in the early 1970s and culminated in the invasion of December 1979. This was not basically a
move for strategic advantage in the East-West balance but simple territorial expansion in an uncontested area ripe for picking off, a target of opportunity allegedly rich in minerals, and strong in religious allegiances (Islam) dangerously attractive to adjacent Soviet minorities. Unfortunately the USSR made misjudgments of the order the US made in Vietnam and in Iran and is still stuck nearly six years later like Winnie-the-Pooh in the rabbit hole, unable to move north or south, a lesson to all greedy bears. Soviet development of Afghan airfields and roads has given them a strategic advantage should there ever be war in the Gulf region; but unlike in Poland where local soldiers were prepared to shoot local heroes in the interest of Pact rather than Polish solidarity, the Afghans are much more recalcitrant, much less respectful of authority. They have shown for centuries that they don't like foreigners, and the Russians with all their troops (120,000) and fire power are no exception. An all-out Soviet attempt to 'win' would presumably involve an attack on Pakistan, where several million displaced Afghans live and much of the insurgency is trained and supplied; but Pakistan still has a security treaty with the United States.

For again, although the Soviet Union throughout this US-styled 'area of crisis' has taken opportunities where it could (Egypt, Aden, Somalia, Ethiopia, Iraq, Afghanistan, India), opposing and making trouble for Western interests wherever possible, it has never acted with a rashness that would produce a US-Soviet clash. In southern black Africa, especially Angola and Mozambique, after the 1974 Portuguese coup and collapse, Moscow waited on Washington's signals of disinterest before engaging in a massive airlift of Cuban troops and Soviet equipment - itself a formidable signal of a hitherto unproven long-distance rapid deployment capacity. In Afghanistan, it waited to see how President Carter would react to the seizure of US diplomatic hostages. It has not challenged the 'Carter doctrine' on the Gulf. In Central America except in 1962, its challenges have been made through proxies. Both superpowers have supported Iran and Iraq in the
madness of their mutually debilitating war, presumably having little prospect of acquiring merit or advantage as a result.

Further, like the United States, the USSR has learned some of the limits to and costs of power, and has clearly lost much of its earlier zest for proselytising and promoting revolution. It has few gifts of diplomacy, no natural talents for empire other than the big stick. At least the US has economic resources to offer. Perhaps the generation represented by Gorbachev and by Reagan's successor will move to less fulminatory competition between the superpowers, but the trend of these forty years is surely towards reduced superpower ambitions, better management of the contests between them (although the contests will continue), and a reduction in the influence of distant might. It is not so much the East-West balance we need to worry about in the next forty years, as the ability of resentful or greedy neighbours to get along with each other.
The policy-makers and decision-makers in Canberra have undoubtedly had considerable practice in changes of diplomatic stance in the four decades since 1945. But have those changes been carried out with any grace, adroitness, or prescience concerning the future? Or have they been clumsy, forced, reluctant, ill-considered? No group of policy-makers, probably, is going to get consistent alpha-plus marks from the diplomatic historians and political analysts who look back on their choices later with the advantage, as an American diplomat once said, of '20-20 hindsight'. Some of the critics of Canberra's performance would award a bare pass-mark, or even an outright 'fail'. That may be a little harsh, but as the record stands at present most of the successive decision-making groups could not be said to have shown a ready or thorough understanding of the forces shaking and shaping the world. Illusion, misinterpretation, uncertainty, and forced second thoughts seem a lot more prevalent than prescience.

In an effort to sustain that judgement, I will look briefly at three areas of policy: central security relationships, regional relationships and economic relationships, and will sketch the attitudes of successive groups of policy-makers to each in turn, starting with the security strand, and with Dr Evatt and the aides he stormed at in the 'reconstruction' period, 1945-49. Dr Evatt is probably still a hero to some people in the Labor Party, but the initial carefully cultivated legend of his great mastery of the international political process does not stand up at all well to retrospective examination. His enthusiasm for the United Nations as an all-purpose international organisation, dispensing security for small powers, as well as progress and justice to all, seems barely credible in these days of its decline. But it seemed
excessive and ill-considered to many policy-makers even in 1945, for the widening splits in the Grand Alliance had been apparent for more than a year before the delegates convened at San Francisco. And the consequences of those splits ought, given Australia's excellent access to British intelligence, to have been quite apparent to Canberra. I would put Evatt's general attitudes down to a purblind legalism, a self-serving determination to espouse those causes and seek those allies who would enable him to 'cut a figure' on the stage both of world politics and Australian politics, and a plain lack of any real understanding of how the techniques of diplomacy actually worked. The detestation he evoked in many of those who had to engage in negotiation with him is very apparent in the diplomatic documents released well after his day. No doubt many Australian policy-makers have been unpopular with their opposite numbers in London and Washington but few surely can have inspired anything like the heartfelt description of him as 'the most frightful man in the world' which one finds in Cadogan. Even the scholarly Webster described him as 'malignant'.

Behind the scenes Evatt's faith in the UN as a security organisation was of course less wholehearted than one might have supposed from his public rhetoric, and he did try hard to parlay the Manus base into a security organisation with the US. His lack of diplomatic technique or understanding seems to me particularly apparent in the ham-handedness and eventual failure of that effort, as well as in some aspects of his Indonesian Policy and his efforts as regards the Japan peace treaty. His two Prime Ministers, Curtin and Chifley, appear in retrospect to have had rather more actual bent for diplomacy (and rather more realistic senses of the limits of Australian ability to influence the world) than Evatt. But they somehow failed to compete adequately with Evatt in leaving the impress of their respective personalities on the late-war and early post-war phase of Australia's international image, so one has to concede the reluctant tribute of describing those years as the Evatt period.
in Australian foreign policy. The tribute is backhanded as well as reluctant, however, since the period might also be described as combining Utopian legalism and internationalism with abrasive nationalism, espousing a small-power regional assertiveness that did quite a bit of damage (especially through the ANZAC treaty of 1944) and an anti-colonialism that was more vocal than consistent, and which co-existed originally with some distinctly imperial dreams for Australia, plus a marked streak of anti-Japanese revanchism.

Whatever other judgements one makes of the Spender period which followed, at least it showed more consistency of aim. For good or ill, Australian foreign policy adopted during that brief span a direction and a stance which hardly changed at all in the twenty-three years 1949-72, and changed only very slightly after that. I have ascribed those choices to the Spender influence rather than Menzies' continuing power, because there was a visible difference between the activist, determined policy-making of Percy Spender in his bare eighteen months as Minister, and the passivity, ambivalence or even reluctance with which Menzies seems to have acquiesced in Spender's efforts to construct the security alliance with the United States. One could, with an excess of charity, put that difference of stance down to a greater prescience or true realism on Menzies' part: an intuition that there were costs and dangers in a close and exclusive relationship of dependence on the United States. But in view of Menzies' rather conspicuous lack of diplomatic sensitivity or prescient judgement in other episodes - for instance at Suez, and even in aspects of his relationship with Britain and the US - it seems more likely to have been merely an outcome of his attachment to the British connection and to traditional concepts of Australian security interests. Plus his general wariness of Spender as the sharpest-witted of his potential rivals and successors.

Menzies' next two Ministers for External Affairs, Casey and Barwick, did not change the basic orientations Spender had given to Australia's foreign policy. Casey showed a proper discretion and adroitness in
resisting pressures from Dulles during the 1954 crisis over Indo-China (at the end of the French period there) and more sensitivity to the realities of Third World feeling, and potential power, during the 1956 Suez crisis, than Menzies did. Barwick in his time secured an expansive US interpretation of ANZUS obligations from Rusk, and quietly disposed of one Australian policy which was a hangover dating right back to the Evatt days, and which had clearly become counter-productive: the effort to exclude West New Guinea from the sphere of Indonesian sovereignty. If that aspiration ever had any chance of success (which seems doubtful, given the consistent Indonesian determination to inherit the whole of the former Dutch territories) the chances had clearly passed by the late fifties, and persistence would merely have further damaged Australia's relations with Indonesia. So one must see Barwick's abandoning the notion as a necessary adaptation to reality. The decision is often presented by critics of the Australia-US connection as a result of American arm-twisting during the early years of the Kennedy administration, but in fact behind the scenes Canberra policy-makers seem to have arrived at the decision to modify their previous stance well before the Kennedy men began to take an interest in what to Washington was rather a remote and obscure area of policy.

With the accession of Hasluck to the role of chief foreign-policy decision-maker for the final Menzies years, the Holt years and the early Gorton period, we come undoubtedly to the most dismaying, and even alarming, phase in recent Australian foreign-policy decision-making. On paper, in prospect and even in retrospect, Hasluck seemed the most obviously well-qualified of the successive Parliamentarians who have acted as Australia's chief foreign policy decision-makers in our period of review. Yet the outcome of policy-choices in his time was disastrous. Hasluck was an intellectual, a notable historian, skilled journalist, practised politician, and an experienced professional diplomat. The Vietnam policy of which he and his departmental aides were the architects was intent on
securing US combat intervention in Vietnam even before Washington itself made that decision (as is clear from the documents). Though Canberra's pressures did not actually influence President Johnson's decision for combat intervention, nevertheless the fact that Canberra espoused, even before Washington, a policy which proved so damaging is a cause for dismay. One has to conclude that official Canberra misjudged the war, the Vietnamese and the Americans. All one can say in exculpation is that the alarms of 1964-65 about Chinese and Indonesian power, which seem in retrospect so exaggerated and thinly-based, must undoubtedly have appeared more substantial at the time. The excesses of the Cultural Revolution in China, which the Chinese themselves have since denounced, did lend a sort of sinister madness to the general Asian scene during the mid-sixties. Indonesia during Sukarno's final years seemed hardly more reassuring. But even bearing in mind the shadowy nightmares that these two phenomena in conjunction created in Canberra, it is difficult not to feel that the policy-making process of these years dealt heavily in the unrealities of 'worst case' analysis, and thus that it might do so again, in a situation of apparent regional crisis.

By contrast, the Gorton Prime Ministership, erratic though its course was, and ambivalent its signals to allies, does nevertheless now seem to constitute a struggling back towards reality and proportion. Gorton had to deal with the three great turnabouts in American policy presented in sharp sequence by Johnson's decision not to contest the Presidency, Nixon's election, and his Guam Doctrine, as well as the consequences of the British decision to quit East of Suez. One cannot say he managed the Australian adaptation to these changes by its 'great and powerful friends' with much intellectual grace or elegance, but he did try (in for instance the ill-fated 'Freeth Experiment') to promote a re-thinking of sorts. Also Gorton's blunt, tactless and abrasive Australian nationalism was a more realistic indicator of the level of commitment Australians were likely to venture in an Asian context from which Britain and (it then seemed)
the United States had partially 'opted out', than the more ambitious and sophisticated notions originally associated with 'forward defence'. 'Maverick' though he may have been, Gorton seems retrospectively less hesitant about moving to new positions than his successor, McMahon, who even well after the Nixon 1972 visit to China was too lead-footed or ham-handed to climb onto the China bandwagon when the chance was offered.

Thus he presented his successor, Gough Whitlam, with an almost 'cost-free' opportunity for the initial appearance of being a radical, decisive reformer and innovator in Australian foreign policy. In reality what Whitlam triumphantly discarded in those exhilarating first hundred days were mostly the shells of old policies which had quietly died some time in the previous three or four years: not actual living policies. The recognition of Peking, and all that it implied about readjustment of Australian assumptions concerning Asia, were of course immensely important in themselves, but they did not really mean moving beyond the ambit of American policy, considering that Nixon himself had been to Peking almost a year earlier. Indeed in retrospect the Whitlam policies have now none of the appearance of radicalism which some academic and journalistic comment attributed to them at the time. The change of regime on North-West Cape was purely cosmetic.

The unimpeachably conservative Malcolm Fraser was thus able to accept the Whitlam legacy without qualms, reversing only the recognition of the Baltic states as part of the Soviet empire. Though his political stocks are low at present, I would argue that Fraser will in due course emerge as a very respectable figure in foreign policy-making. He steadied the ANZUS alliance, repaired any scratches left on it by the Whitlam years, secured an extension of its interpretation to cover the Indian Ocean, and appreciated better than his predecessors (or successors?) that its main function was as a cog in a global alliance mechanism, rather than a regional security pact. He cultivated the Pacific Island states, and indeed the Third World

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generally not only with success, but with a level of sympathy and imagination his critics found surprising, using primarily the instrument of the Commonwealth connection, which all his predecessors (including Menzies, whose orientation was to Britain, not to the new Commonwealth) had neglected and disparaged. He was even willing to irritate Washington in the interests of Third World causes which certainly did him no political good at home, like the New International Economic Order and the combating of apartheid. (Note his role in the Gleneagles agreement against sporting links with South Africa as well as the Zimbabwe settlement.) In the interests of controversy, I would even go so far as to suggest that he combined a good general understanding and practise of realpolitik with a considerable element of moral feeling. The present policy-makers have adopted most of his stances but not all of his enthusiasms, and have substituted arms control for the Third World's interests as a sort of moral centrepiece of policy-making.

Regional policy ought to be understood, in my view, as including attitudes to Japan and China as well as to Indonesia, the other ASEAN states and the Pacific Islands and New Zealand. In this sphere the regularly imposed necessities for second thoughts, and the ill-grace with which Australian policy-makers changed stance, is as much in evidence as in security policy. Canberra was much slower and more reluctant than Washington to discard the initial (and natural) post-war revanchism against Japan, and so we only accepted the American drafted Japan peace treaty when provided with the 'sweetener' of ANZUS. But the US post-war settlement with Japan has proved the most spectacularly successful of all the post-war settlements, not only helping enable Japan to reach the status of an economic great power but diplomatically and militarily binding it to the American orbit. Australia had to learn to live with all that, and economically has profited, but political cordiality came late. Is it still rather thin? Could it survive further regrowth of Japanese military power? That may be one of the questions for the future.
Our relations with Indonesia have been even more full of ambivalences. Evatt's original sponsorship of the Indonesian nationalists went along with more disguised misgivings that were allowed to appear on the surface, and from the earliest days one might see Indonesia policy as the area where Departmental influence was strongest. It does not seem unfair to say that its guiding principle was an iron-clad determination not to quarrel with Djakarta if it could possibly be avoided, and that this determination has been seen (unreasonably?) by critics as lending the policy rather an air of appeasement, especially over East Timor. But insofar as the policy has been maintained, even during difficult times like the 'konfrontasi' period, one could certainly call it a success of sorts, especially for the professional diplomats. In terms of consistency and realism one might at least say it was a notable contrast to our China policy for most of the period under review.

Finally, economic foreign policy. Australian decision-makers have of course had to seek the prosperity as well as the security of an electorate in which many special interests had and have a good deal of political leverage. In view of the high general level of material prosperity of Australians in the post-war years, I think one could claim that they more or less coped with the problems involved. Australia is no longer at the top of the world league in terms of GNP per capita, but its economic and social problems appear rather minor compared with those of most other societies. Our policy-makers have seldom ceased complaining about the loss of traditional markets and the ill-doings of the Europeans, yet we have in fact secured new markets rather resourcefully, and over the four decades have successfully attracted both capital and labour, even if there are two views as to whether the end-result has been desirable.

Through the whole of the four decades, with the exception of the brief 'period of alarm' during the early sixties, Australian decision-makers managed to keep defence spending to the lower end of the general western scale, about 3 per cent of GNP, or approxi-
mately the level of the minor NATO powers. In security terms we have, that is, substituted diplomatic arrangements for military ones. That has attracted considerable criticism from both the left and the right of the Australian political spectrum, but it is difficult to see that it can be described as a failure, or that Australians as a whole would have been better off - or even as well off - if the alternative course had been chosen. Our 'insurance policy' with the United States imposed some premiums, but mostly of a nominal sort, except for the extra burden of risk entailed by the US installations. The American and British connections undoubtedly facilitated Australia's import of both capital and labour, and that in turn was what transformed Australia from a minor and vulnerable power to a relatively substantial middle power.

This brief impressionist sketch of the ways in which Australia adapted to changes in the world context has necessarily left out a good deal which would appear in a more extended study. There has been, for instance, an enormous growth in the geographical and functional scope of Australian diplomacy, from bare representation in the three or four capitals most important to us to almost universal representation, including a strong presence in multilateral diplomacy. There has been a change in the general spirit of Australian policy-making, from excessive dependence originally on the British connection and later on the American one to relatively self-confident and even self-assertive stances. There has even been evolution to some measure of self-reliance, at least as regards regional threats, in Australian defence policy. In all of our international relationships, from those with Japan and China to those with Britain, Western Europe, and the United States there have been variations during these four decades which might be interpreted, without an undue measure of charity, as signs that Australia has matured along with the century.